

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

In the Matter of	)	
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Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review For	)	CC Docket No. 94-1
Local Exchange Carriers	)	
	)	
A Request For the Amendment of the	)	RM-9210
Commission's Rules Regarding Access Charge	)	
Reform and Price Cap Performance Review For	)	
Local Exchange Carriers	)	

**COMMENTS OF AMERITECH**

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**COMMENTS OF AMERITECH**

Ameritech<sup>1</sup> submits these comments in response to the requests articulated in the Commission's recent Public Notice<sup>2</sup> to update the record in the above-captioned proceedings and to comment on the petitions of CFA, *et al.*, and MCI concerning the prescription of access rates,<sup>3</sup> on proposals by Ameritech and Bell Atlantic for phased-in pricing flexibility as competition increases, and on possible revision of the price cap X-factor.

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<sup>1</sup> Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

<sup>2</sup> "Commission Asks Parties to Update and Refresh Record for Access Charge Reform and Seeks Comment on Proposals for Access Charge Reform Pricing Flexibility", CC Docket Nos. 96-262, 94-1, 97-250, RM-9210, Public Notice, FCC 98-256 (released October 5, 1998) ("Public Notice").

<sup>3</sup> Petition of CFA, *et al.*, for Rulemaking, RM-9210, filed December 9, 1997; MCI Emergency Petition for Prescription, CC Docket No. 97-250, CCB/CPD 98-12, filed February 24, 1998.

## **I. INTRODUCTION AND SUMMARY.**

Evidence produced almost a year ago in response to the CFA and MCI petitions showed that, despite petitioners' complaint to the contrary, competition is thriving. Updated evidence merely confirms the fact that competition continues to grow and that, therefore, there is no reason for the Commission to abandon its market-based approach to access reform by prescribing access rates.

In addition, existing price cap regulation has resulted in substantial access rate decreases overtime. This, coupled with the fact that interexchange carriers ("IXCs") have been reluctant to flow through the full effect of these rate decreases, means only that there is no policy reason for the Commission to force a lowering of access charges through the prescription of rates. Moreover, prescribing rates will only ensure a distortion of the market that will result in disincentives to competitive entry.

Instead of prescribing rates, the Commission should act immediately to complete the implementation of its market-based approach by adopting a pricing flexibility framework which will reflect the realities of a competitive marketplace. Ameritech's pricing flexibility proposal provides such a framework with three phases implemented separately for transport services and switched services. The criteria or triggers for each phase are easily verifiable and reasonably measure differential degrees of competitive pressures. Implementation of such framework will permit customers to realize the benefits of full competition that will result from the ability of price cap carriers to compete on basis of price.

Further, the Commission should resist calls to lower the price cap X-factor. As the evidence offered by USTA shows, the existing 6.5% productivity factor is in fact too high.

## **II. THE COMMISSION SHOULD CONTINUE TO REFUSE TO PRESCRIBE ACCESS RATES.**

### **A. Competition Has Expanded Significantly Since the Adoption of the Access Charge Reform Order.**

In its Access Charge Reform Order,<sup>4</sup> the Commission specifically rejected requests for the prescription of access rates to forward-looking costs. As the Commission noted:

We decide that adopting a primarily market-based approach to reforming access charges will better serve the public interest than attempting immediately to prescribe new rates for all interstate access services based on the long-run incremental cost or forward-looking economic cost of interstate access services. Competitive markets are superior mechanisms for protecting consumers by ensuring that goods and services are provided to consumers in the most efficient manner possible and at prices that reflect the cost of production. Accordingly, where competition develops it should be relied upon as much as possible to protect consumers and the public interest. In addition, using a market-based approach should minimize the potential that regulation will create and maintain distortions in the investment decisions of competitors as they enter local telecommunications markets.<sup>5</sup>

The Commission was rightly concerned about the “distortions” that would be created by regulations. The Commission was specifically concerned that:

precipitous action could lead to significant errors in the level of access charge reductions necessary to reach competitive levels. That would further impede the development of competition in the local markets and disrupt existing services. Consequently, we strongly prefer to rely on the competitive pressures unleashed by the 1996 Act to make the necessary reductions.<sup>6</sup>

Yet, the ink was barely dry on the Access Charge Reform Order when CFA and MCI in separate petitions asked the Commission to find that competition was not working and that, therefore,

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<sup>4</sup> *In the Matter of Access Charge Reform, etc.*, CC Docket No. 96-262, *et al.*, First Report and Order, FCC 98-158 (released May 16, 1997) (“Access Charge Reform Order”).

<sup>5</sup> *Id.* at ¶263.

<sup>6</sup> *Id.* at ¶46.

access rates should be prescribed.<sup>7</sup> The evidence at the time proved them wrong; and, since then, the evidence shows that competitive pressure on incumbent local exchange carrier (“ILEC”) services is increasing at an even faster rate.

At the time of the comments on the CFA and MCI petitions, the AT&T-Teleport merger and the MCI-WorldCom merger (incorporating the previous WorldCom-MFS and WorldCom-Brooks mergers) were pending. Since that time, those mergers have been completed and AT&T and TCI have announced their merger plans making an already giant AT&T an even bigger player in the world of telecommunications. These mergers are not without effect in the access world. As Ameritech noted in its comments on the CFA petition, the total savings in access charges that the merging parties estimated from the self-provision of access as a result of their unions amounts to nearly \$1.8 billion in 1998, growing to \$3.3 billion in 2002. As shown on Attachment A, more than 80% of Ameritech’s estimated carrier access revenue is potentially affected by merger activity.

Clearly, these mergers will result in a significant reconfiguration of the market for ILEC access services. In the case of AT&T, Teleport’s extensive network of fiber and switches in the Ameritech region is now available for AT&T’s use. Moreover, AT&T has stated its intent to upgrade TCI’s cable distribution facilities to handle two-way telecommunications and thus to bypass the ILEC local loop entirely.<sup>8</sup> Similarly, in the case of MCI-WorldCom, the fiber and

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<sup>7</sup> See, note 3, *supra*.

<sup>8</sup> AT&T, in its comments submitted in response to the Commission’s §706 Notice of Inquiry (at note 42), stated: As AT&T’s Chairman C. Michael Armstrong recently testified before the Senate Judiciary Committee, Subcommittee on Antitrust, Business Rights and Competition, the TCI acquisition changes the equation for broad-based telecommunications competition in the local exchange. After \$1.8 billion in network upgrades is completed in the coming three years, and AT&T adds equipment that permits these upgraded facilities to be used for the provision of telephony services, AT&T will have an avenue to provide high-

switching facilities of the former MFS, Brooks, and MCImetro can now be utilized for the benefit of the combined MCI-WorldCom access needs.

Direct competition for ILEC dedicated service has been growing rapidly. Attachment B shows, for the seven major market areas in the Ameritech region, the growth in competitively provided transport services. The data tells a significant story -- with competitors holding 60% of DS1 equivalents in Chicago and 44% in the top seven market areas combined. In addition, investment by competitors in fiber facilities has increased by 38% since 1996, as shown on Attachment C. Further, Attachment D shows the increase in the number of buildings on competitive providers' networks. Where the building is "on net", the entire traffic from that building may be routed directly to an IXC's point of presence ("POP") using the facilities of the competitive provider.

However, direct competition with ILEC access services is only one source of competition for those services. Obviously, to the extent that CLECs are successful in capturing the local exchange business of end users, either on a facilities basis or through unbundled network elements, they will also provide access services between those end users and interexchange carriers. While CFA and MCI in their petitions complain of BOC/ILEC court activity that would stifle local competition, the facts show otherwise. In the Ameritech region, local exchange competition is vibrant. Attachment E shows that competitors' switch deployment has ballooned from 15 in 1996 to more than 30 currently. Attachments F and G update information Ameritech submitted in response to the CFA petition. Attachment F shows the status of the

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speed data and telephone services over two-way broadband facilities to the approximately 17 million households currently passed by TCI. . .

substantial CLEC activity in the Ameritech region. The presence of these CLECs has not been without effect. Attachment G shows vividly that the growth in cumulative<sup>9</sup> end office integration trunks, unbundled loops, resold lines, and Ameritech-provided competitive lines in Ameritech-served areas is astounding. When the information was filed with Ameritech's opposition to the CFA petition, December, 1997, data showed 95,019 end office integration trunks. By September 1, 1998, that figure had exploded by over 200% to 223,160. Similarly, cumulative unbundled loops, resold lines, and Ameritech-provided competitive lines each almost doubled in the first eight months of this year. Unbundled loops grew from 68,636 to 114,942. Resold lines grew from 489,174 to 911,260.<sup>10</sup> And total competitive lines provided by Ameritech (unbundled loops plus resold lines) increased from 557,810 to 1,026,202.<sup>11</sup>

These figures, of course, do not capture the effect of total facilities-based bypass. As noted above, large customers with buildings on competitors' fiber-based networks will originate and receive traffic that never touches the Ameritech network. And, as noted above, AT&T's merger with TCI will enable it to utilize cable distribution facilities for a complete facilities-based bypass in the residential context as well. In other words, an updated record in these proceedings shows only that CFA's and MCI's "sky is falling" predictions of the death of

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<sup>9</sup> *I.e.*, not net of any disconnect activity.

<sup>10</sup> Ameritech is aware that it retains the access service on resold lines. Nonetheless, the amount of resale competition is still indicative of competitive pressure on access services because resale is a stepping stone to UNE-or facilities-based local exchange competition.

<sup>11</sup> Ameritech also submits for consideration, as Attachment H, its Section 271 Status Report, revised as of September 1, 1998, which demonstrates Ameritech's checklist compliance as of July 1, 1998. Of particular note is the estimate of bypass lines at 402, 236. The number of in-place collocation arrangements, listed in the report at page 5 as 447 as of July 1, had grown to 593 by September 1. By late September, there were 950 arrangements either in-place or in-process in 339 wire centers, giving collocating carriers accessibility to 13 million access lines -- 65% of Ameritech's total.



competition were completely disconnected from reality. Instead, the proliferation of competition has validated the Commission's initial decision to rely on market forces.

**B. Prescription Is Not Necessary Since Price Cap Regulation Is Lowering Access Rates.**

The petitioners' argued that there is an immediate need for the Commission to prescribe lower access rates. However, as Ameritech pointed out in its opposition to MCI's petition, Ameritech's interstate access rates were lowered by approximately \$200 million as a result of the 1997 annual access filing and the access reform filing effective January 1. In addition, Ameritech's 1998 annual access filing resulted in \$99.3 million of additional rate reductions as well. Attachment I shows graphically the dramatic reduction in Ameritech's MOU equivalent access rates since the inception of price caps. Those rates have fallen by approximately 73 % over that period of time. Even if the PICC is factored in, the reduction is still a substantial 60%.<sup>12</sup>

In addition, Attachment J shows dramatically how the "gap" between the X-factor and inflation has grown. Since the inception of price caps, the base line productivity factor has grown from 3.3% to 6.5%. At the same time, inflation (GDP-PI) has cascaded from 4.8% in 1991 to an estimated 1.3% in 1999. The differences between these two figures is the effective decrease in price cap indices called for by the price cap formula. As can be seen on Attachment K, as currently configured, price cap regulation has already required greater access rate

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<sup>12</sup> AT&T itself has admitted that access charges have been significantly reduced. The October 20, 1998 edition of Communications Daily reported:

[AT&T] said access charges and interconnection expenses as a percentage of long distance revenues fell to 34.7% in the first half from 37.4% a year earlier on cuts in per-min. access charges that were offset in part by primary interexchange carrier charges.

decreases year-over-year without the necessity of the Commission's becoming involved in the problematic cost calculations that would be necessary for represcribing rates.

However, putting aside these substantial rate reductions, Ameritech's access rates are at a reasonable level. The Commission should be equally concerned with the level of investment and competition if it fails to provide a mechanism to phase out the market distortions caused by price regulation.

**C. Prescription of Access Rates Will Not Benefit Consumers.**

Any IXC's stated willingness to flow through access rate reductions to end users must be questioned. In this regard, Ameritech commends to the Commission for its consideration the two studies recently filed by USTA -- "AT&T MCI, and Sprint Failed to Pass Through the 1998 Interstate Access Charge Reductions to Consumers" and "Assessment of AT&T's Study of Access Charge Pass Through," both by Paul S. Brandon and William E. Taylor and both dated October 16, 1998. The studies demonstrate that consumers have been left out of a substantial portion of the benefits of access rate reductions.

Further, MCI, in its petition, has stated:

[B]ut the current level of interstate access charges constrains the financial resources available for IXCs to pursue a facilities-based local strategy . . . as long as access rates remain above forward-looking economic costs, RBOCs will control local bottleneck facilities and continue to line their pockets with capital that long distance companies could otherwise invest in local facilities.<sup>13</sup>

Thus, MCI appears to be saying that any access charge reductions that would result from the Commission's prescription of access rates to forward-looking costs would be kept by the IXCs and used for strategic business purposes -- not flowed through to their interstate service

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<sup>13</sup> MCI petition at 7-8.

customers.

That IXCs have no intention of automatically flowing through access charge reductions in their rates for end user services is perhaps most vividly proven by the testimony of Mr. Dennis L. Ricca of MCI. In the context of a case before the Michigan Public Service Commission dealing with the intrastate presubscribed interexchange carrier charge ("PICC"), when asked if Ameritech Michigan's July, 1997, access reduction was "passed through" by MCI, Mr. Ricca answered:

No, that's not the way the market works, Mr. Anderson, and if you think that because we get a reduction, that we gladly flow that through to the consumers because we're good guys, that's not the case. We hold on to every penny that we can.<sup>14</sup>

Moreover, further in his testimony, Mr. Ricca essentially admits that MCI will lower its rates only if AT&T does:

I think I indicated earlier we're going to hold on to every penny that we can, but I think the market will force flowthrough, and I think it will force the flowthrough in the per-minute rates that we charge. . . [I]f you have companies like AT&T who are saying they're committed to flowing it though, I can tell you that MCI historically has prided itself on pricing below AT&T. So that if AT&T makes a change in its rates that flows through any reduction, there will be a competitive response from MCI.<sup>15</sup>

Mr. Ricca's testimony, of course, constitutes a candid admission that the interexchange market is not working. There is no price competition. AT&T is clearly the price leader creating an umbrella under which everybody else can operate freely. If AT&T decides not to change price, nobody else will. Moreover, as the Brandon and Taylor studies demonstrate, IXC prices have not completely reflected the access charge reductions to date. In this light, there is nothing from

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<sup>14</sup> Attachment L at 643-644.

<sup>15</sup> *Id.* at 647.

a policy perspective to argue in favor of a clear “need” to prescribe lower access rates just so that IXCs can line their pockets.

If the Commission’s goal is to force lower prices for interstate message telephone services (“MTS”), the answer does not lie in prescribing lower access charges -- unless the Commission also compels IXCs to flow those access rate reductions through. As Mr. Ricca noted, the IXC’s first motivation is to “hold on to every penny.” It is also apparent that, unless AT&T makes a move, no one else will. There is a clear understanding among IXCs that there is certainly no need to lower rates if AT&T does not make the first move. Thus, there is absolutely no justification for the Commission to compel lower access charges to drive lower interstate MTS rates unless it also compels IXCs to flow those rate reductions through to end users on an equitable basis.

**D. Prescription of Access Charges Will Hurt, Not Help, Competition.**

However, there is a better and more compelling reason for the Commission not to prescribe lower access charges. That is simply the fact that such a move will actually hinder the competitive provision of exchange access and local exchange services.

The continued imposition of administered prices over open market forces, even after the opening of telecommunications markets, damages the development of competition and harms consumers. Prescribing rates to recover the forward-looking costs of the most efficient conceivable firm would only stifle facilities-based competition and network investment. That is because such a prescription would not and could not replicate the actual operation of the market. Even if it were possible to determine the efficient, forward-looking costs of providing service (which it is not), prescribing rates to these levels could lead to serious adverse consequences.

In competitive markets, there is a distribution of firms with different costs and operating structures. A prevailing market price is determined by the interaction of all suppliers and consumers and, over the long run, will be at the level of the actual costs of the least efficient firm able to stay in the market and vie for customers. In other words, although over time prices tend to move toward cost in a competitive market, they never in the long run settle at the incremental costs of the most efficient provider. This is an efficient result because it provides profit incentives for new entrants and for increased investment by incumbent firms.<sup>16</sup>

Thus, prescribing rates to the forward-looking costs of the most efficient competitor would doom competition and investment. It would make it impossible for Ameritech and other ILECs to recover the costs they have prudently incurred in the provisioning of access services, placing a chill on future network investment. However, it would also preclude, or greatly discourage, entry by new competitors by eliminating any profit that they would hope to earn upon entry. Indeed, the only entry that could take place would be by the hypothetically “most efficient” competitor, and then it would do so with the prospect of earning a return only sufficient to recover its capital costs.

But prescribing rates based on the cost of the least efficient firm would not work either. Such cost would either be unascertainable or the process would lead to an efficient outcome only by accident, and then that condition would not be sustainable over time due to the dynamic nature of the market. In other words, rates prescribed based on any cost methodology would be set either too high or too low leading to inefficient or too little entry and too much or too little

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<sup>16</sup> See reply statement of Dr. Kenneth Gordon, filed with Ameritech’s reply comments in CC Docket No. 96-262, filed February 14, 1997.

investment. In fact, if prices were set at forward-looking incremental costs, it is likely that little or no real competition would develop since there would be no economic incentive to drive it.

Thus, the Commission should emphatically decline to engage in the process of market prediction by prescribing already low access rates to an even lower level at which it may think they belong. Rather, since those rates have already steeply declined because of the operation of the current regulatory structure, it should permit that structure to operate and to be supplemented with additional pressures from competitive entrants who seek to provide services at a lower rate because of their own efficiencies.

### **III. THE COMMISSION SHOULD FULFILL THE PROMISE OF ITS ACCESS REFORM ORDER AND COMPLETE THE IMPLEMENTATION OF ITS MARKET-BASED APPROACH.**

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#### **A. The Commission Must Abandon its Complete Reliance on Price Regulation.**

In the Access Reform Order, the Commission indicated its intent to rely on market forces to govern access rates, yet it deferred the details of this market-based approach to a later proceeding.<sup>17</sup> In the Access Reform Notice, the Commission proposed to implement regulatory reforms as ILECs demonstrated that their local markets have achieved “pre-defined, specific transition points, or ‘competitive triggers.’”<sup>18</sup> The Commission then proposed triggers based in large part on the §271 “checklist” and opined that:

We anticipate that at least some incumbent LECs reasonably should be able to satisfy these conditions during 1997. (Emphasis added.)<sup>19</sup>

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<sup>17</sup> Access Reform Order at ¶270.

<sup>18</sup> *In the Matter of Access Charge Reform, et. al.*, CC Docket No. 96-262, et al., Notice of Proposed Rulemaking, FCC 96-488 (released December 24, 1996) (“Access Reform NPRM”) at ¶162.

<sup>19</sup> *Id.* at ¶163.

Moreover, the Commission proposed that, in its Phase 1 -- Potential Competition, it would eliminate the bans against geographic de-averaging, volume and term discounts, and contract tariffs and individual requests for proposal responses, and restraints on new, innovative access services.<sup>20</sup>

It is now two years later, and it is more imperative today that the Commission implement a mechanism by which ILECs can obtain pricing flexibility commensurate with a demonstration of competition.

As noted above, competition is expanding by leaps and bounds. By refusing to prescribe rates down to hypothetical forward-looking economic costs, the Commission will avoid creating a significant barrier to competitive entry. However, that fulfills only part of the Commission's obligations. If the Commission maintains the current regulated structure for access services subject to competition, it will deprive customers of the benefits that would be achieved by permitting ILECs the ability to respond competitively in competitive situations -- denying customers the full benefits of competition.

One of the enduring legacies of telecommunications regulation is that virtually every service price has been distorted by regulatory intervention and the distortions are proving to be unsustainable. The Commission needs to implement a sustainable market-oriented pricing model in light of the opening of markets to competition. A mandatory decrease in access prices does not move the system toward sustainability because it is not market-driven nor does it address the complete system of administrative ratemaking. Moving to a sustainable and welfare-

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<sup>20</sup> *Id.* at ¶168.

enhancing pricing structure requires that the entire system of administered pricing be eliminated totally, not just one part, in order to prevent the rise of distortions that will affect both current consumer welfare and the development of the next generation infrastructure.

In most areas of the country, regulatory intervention has resulted in a pattern of non-market prices: businesses, urban residences, and long-distance users pay more than they would in a free market while those in rural areas, non-urban residences, and those who do not use long-distance services pay less than they otherwise would. Prior to the 1996 Telecom Act, LECs had two roles in the administered rate system. The first was to participate in the market itself providing exchange and exchange access services as common carriers. The second was to serve as the clearinghouse for administered pricing. In this latter role, the LEC took in subsidies from one sector and passed them through to another, all at the direction and oversight of the administrative agency.

This dual role -- provider of specific telecom services and clearinghouse for social pricing of all telecom services -- theoretically can be successful if the system is closed, like a hydraulic system. However, as in any real market, the system is never closed, there are numerous leaks. And so it was with telecommunications. PBXs and other private networks helped many business customers -- subsidy providers -- take their local exchange business off-system. Policies at both the federal and state levels were actively developed to accommodate the subsidy providers' desires for lower prices. For example, interconnection for CAPS created opportunities for businesses to offload exchange access from the nominally closed system. Despite these policy-sanctioned and policy-encouraged leaks to the system, policy was never developed to systematically address the impact of leakages on the sustainability of the



administered rate system itself.

In part, the lack of an overarching policy for ending the administered rate system is due to the fact that there are multiple jurisdictions involved. The federal jurisdiction has the opportunity to lower rates and thereby gain popular credit, while the state jurisdictions face the prospect of raising rates to market levels and thereby earn popular opprobrium.

The fact that the clearinghouse role is intertwined with the role of market participant creates a moral hazard problem for policy makers: the productivity and profitability created from the successful management of the commercial business can be captured through administrative rules to subsidize the clearinghouse function. Social welfare is maximized when all prices are at competitive market levels, not just some of them. Policy that reduces some administered prices to gratify one constituency without permitting the prices of other services to increase simply uses the commercial successes of the LEC to subsidize the social clearinghouse function.

**B. The Commission Should Quickly Adopt a Pricing Flexibility Framework that Reflects Changes in the Competitive Environment.**

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It is important, therefore, that the Commission act swiftly to fulfill the promise of its market-based approach to access reform and implement a structure by which price cap LECs may modify their prices to respond to market conditions. It is especially important that a clear standard be identified in the context of a framework that is simple to administer -- to avoid any unjustified regulatory delay to eliminating unnecessary market-distorting regulations.

In this regard, the Commission has specifically solicited comment on the pricing flexibility proposals of Ameritech and Bell Atlantic. Ameritech's proposal is summarized in the 2-page matrix included as Attachment M and described in detail in Attachment N. The plan is

broken down into three phases which would be implemented separately for transport services and switched services. Interexchange services and directory assistance are treated separately. The criteria or triggers for each phase are easily verifiable and reasonably measure differential degrees of competitive pressure.

Ameritech's proposal deals with three important matters:

1. Pricing flexibility as a result of different levels of competitive pressure;
2. The phasing out of the price cap X-factor with increased competition; and
3. The ultimate removal of services from price cap regulation.

Appropriate pricing flexibility is necessary to respond to market place realities. It is also necessary to provide customers with the full benefits of competition. It is important that the Commission act quickly to eliminate fundamental discrepancies with state efforts to modify regulations to accommodate competitive reality. Attachment O, material previously included with Ameritech's June 5, 1998, ex parte filing, shows state provision of competitive pricing flexibility for exchange based services. Attachment P, Ameritech's September 11, 1998, ex parte material, shows in greater detail the flexible treatment of competitive services in Illinois. Maintaining a federal regulatory regime that ignores competitive reality puts customers in a difficult position when it comes time to telling the ILEC about the jurisdictional nature of the traffic on their dedicated services.

Further, consistent with recognizing the very real effects of competition on ILEC services and pricing, the X-factor should be modified accordingly. Price cap regulation was not deregulation. Price caps was instituted as a substitute for rate of return regulation in what was assumed to be a monopoly environment. The price cap index itself and especially the

productivity offset factor (X-factor) stand as a substitute for competition to ratchet down ILEC rates over time. It only stands to reason that, as competitive pressures increase, the regulatory pressures on prices should decrease. Therefore, Ameritech's plan appropriately provides for the phasing out of the of the X-factor and the ultimate removal of services from price cap regulation as competition increases.

In addition, the plan properly calls for early removal of any restrictions on the introduction of new services. Although the Commission has purported to ease the burden on the introduction of new switched access services by eliminating the previous waiver requirement,<sup>21</sup> what it has substituted is equally as onerous. Having to show that the introduction of a new service is in the public interest essentially requires the same showing that would have been required to justify a waiver of the Commission's rules. The fact of the matter is that any such requirement unnecessarily tips off the competition and delays the introduction of new capabilities which only harms customers.

Ameritech acknowledges Bell Atlantic's proposal and the proposal that USTA has offered with its comments in this proceeding. Ameritech suggests that both of these proposals have much to offer.

In light of the forgoing, the Commission should act quickly to implement a pricing flexibility plan that adequately addresses all of the above concerns.

#### **IV. THE COMMISSION SHOULD NOT INCREASE THE PRICE CAP X-FACTOR.**

In its comments in this proceeding, USTA is filing detailed economic information

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<sup>21</sup> Access Reform NPRM at ¶¶309-310.

showing why an increase in the X-factor is not justified at this time and why, in fact, it should be lowered. USTA's updates of both the Commission's average model X-factor and USTA's own Total Factor Productivity Review Plan ("TFPRP") model show that the current 6.5% X-factor is too high. In addition, USTA shows that opportunities for productivity growth will be reduced in the future. The restructure of access from per minute to per line rates significantly diminishes the potential for growth in productivity resulting from increased usage. Similarly, the failure of IXC's to flow through access rate reductions has resulted in lower MOU demand and lower productivity than would have otherwise taken place. Moreover, it will be increasingly difficult for price cap LECs to replicate in the future the productivity enhancing effects of past competitive reorganizations and workforce reductions.

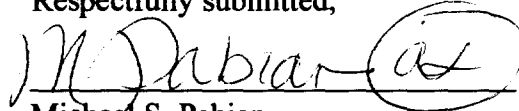
Moreover, as noted above, price caps as currently configured has already operated to effect substantial "real dollar" Ameritech rate decreases as the gap between the X-factor and inflation has grown. USTA also provides similar data for the industry as a whole. Thus, despite claims to the contrary, there is no need for the Commission to force rate reductions by increasing the X-factor.

## **V. CONCLUSION.**

The Commission must resist the unreasonable call for a prescription of access rates to forward-looking costs. Substantial competition is taking place and justifies, not the prescription of access rates, but rather the timely implementation of a pricing flexibility framework that will

permit price cap carriers to reasonably respond to that increased competition. Therefore, the Commission should act quickly to complete the implementation of its market-based access reform model by adopting such a framework which would permit customers to realize the full benefits of the increasingly competitive telecommunications marketplace.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "M. Pabian", followed by a circled "at" symbol.

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Hoffman Estates, IL 60196-1025  
(847) 248-6044

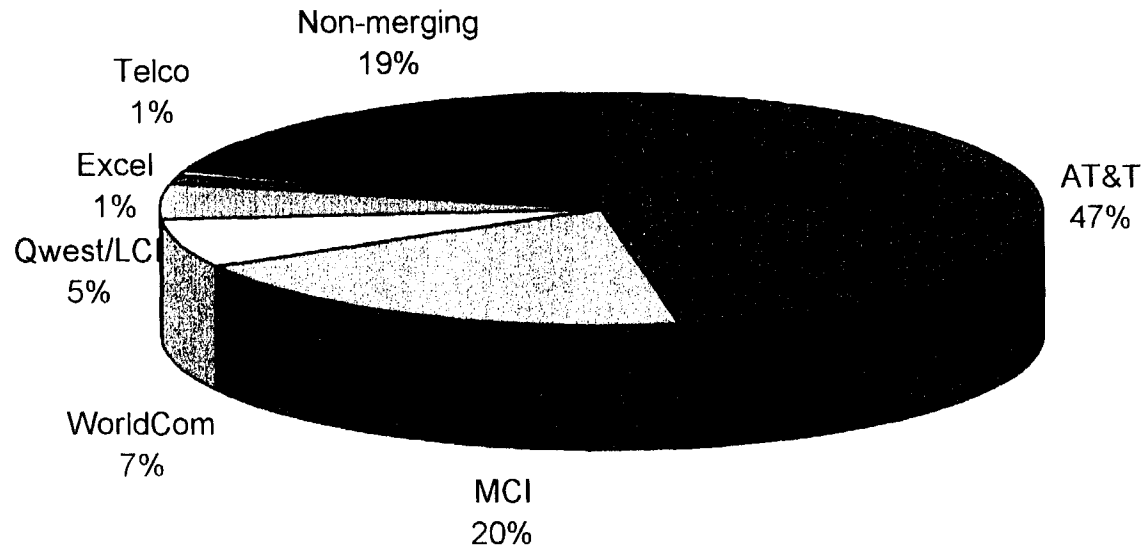
Regulatory Specialists:  
Karl Wardin  
Michael Alarcon

Economic Specialist:  
Frank X. Pampush

Dated: October 26, 1998

# **Attachment A**

# ***Merger activity potentially affects over 80% of Ameritech's carrier access revenue***



*Based on 1998 SWAC and Transport Revenue*

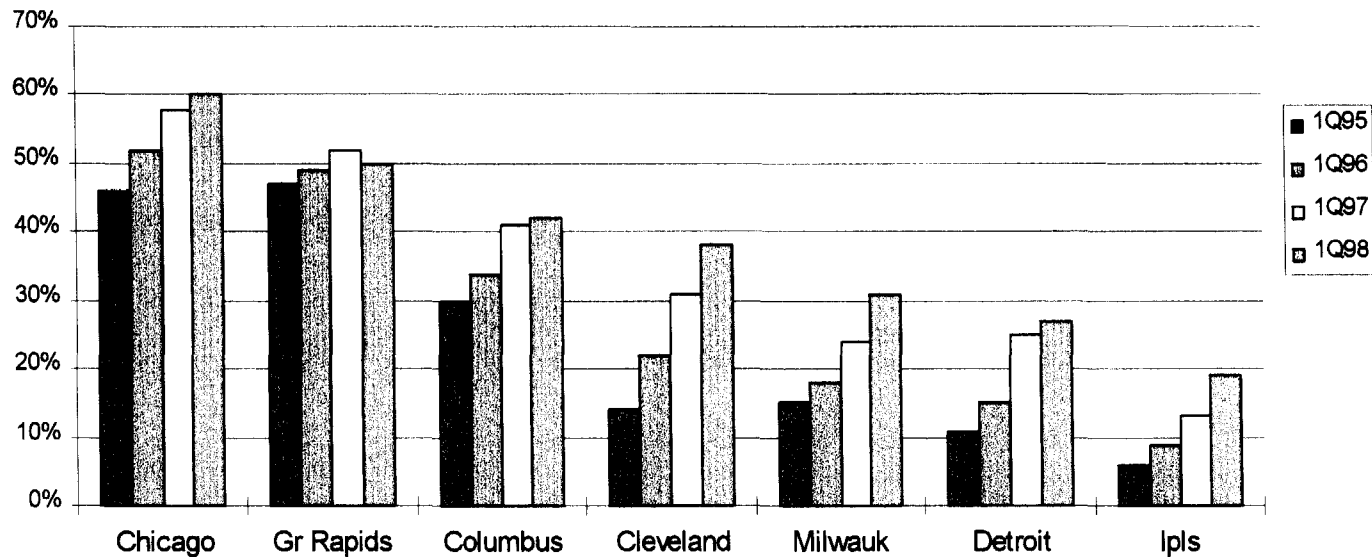
Although industry consolidation will continue, the majority of current mergers will complete by early 1999

# **Attachment B**



# ***Competitors continue to make competitive inroads in the Ameritech region***

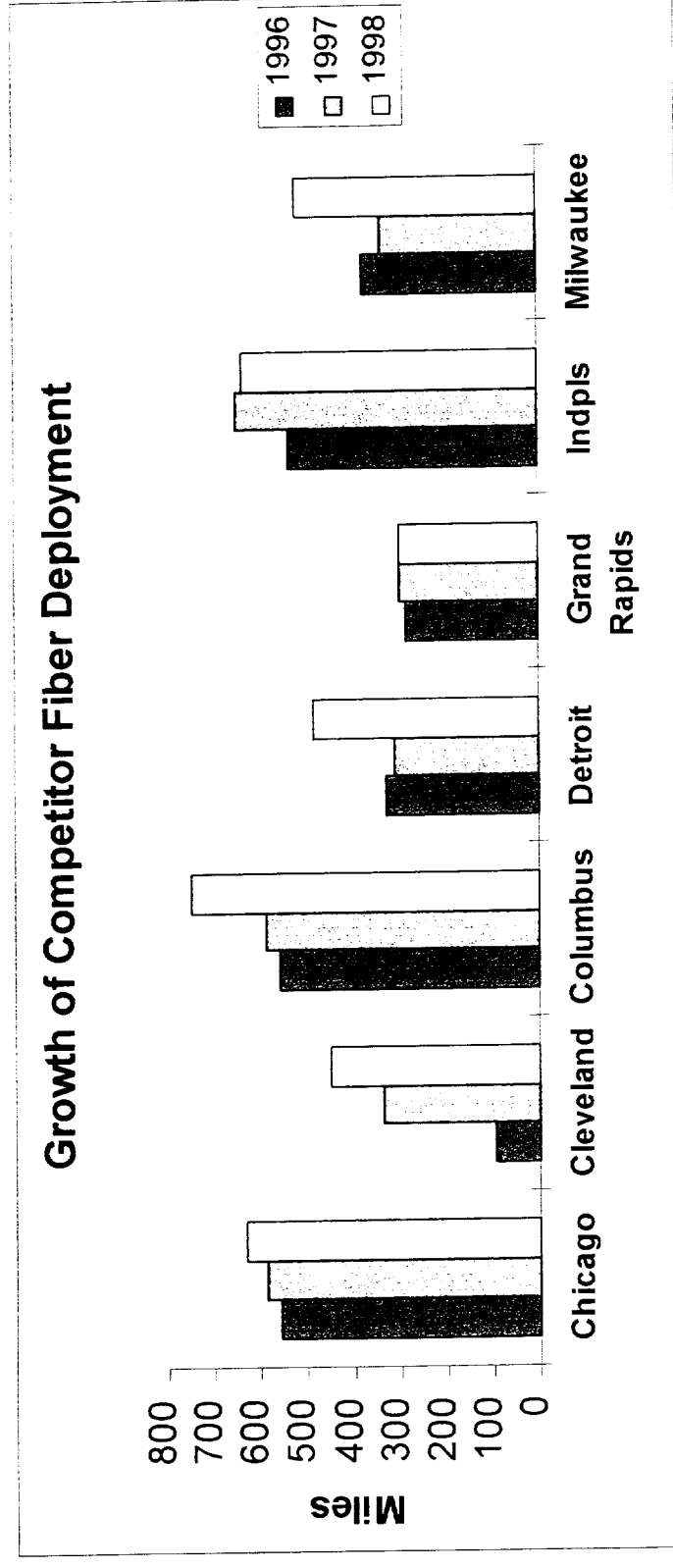
## **Competitive Special Access DS1 Equivalents**



Facilities based competitors have successfully targeted transport in Ameritech's major metros

# **Attachment C**

# Competitor fiber deployment continues at a rapid pace

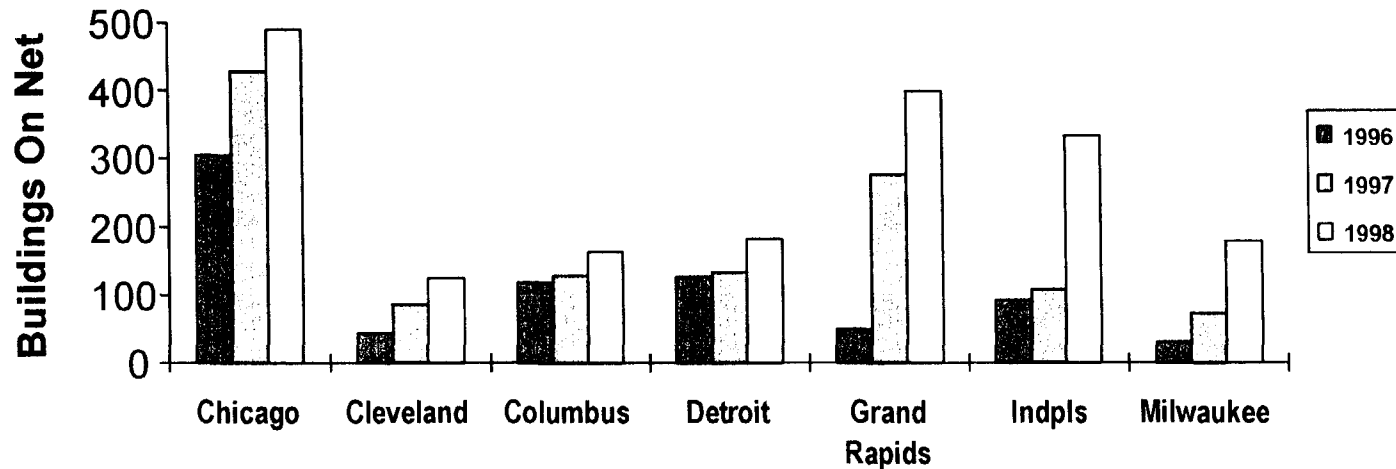


Fiber deployment has increased 38% overall since 1996

# **Attachment D**

# ***Customer locations on competitive networks continue to increase***

**Growth of Competitor On Net Building Penetration**



Competitor on-net building penetration has nearly doubled since 1996

# **Attachment E**

# ***Competitive switch deployment increased from 15 switches in 1996 ...***

★ MFS

★ TCG

★ MCI metro

★ Brooks Fiber

★ ICG

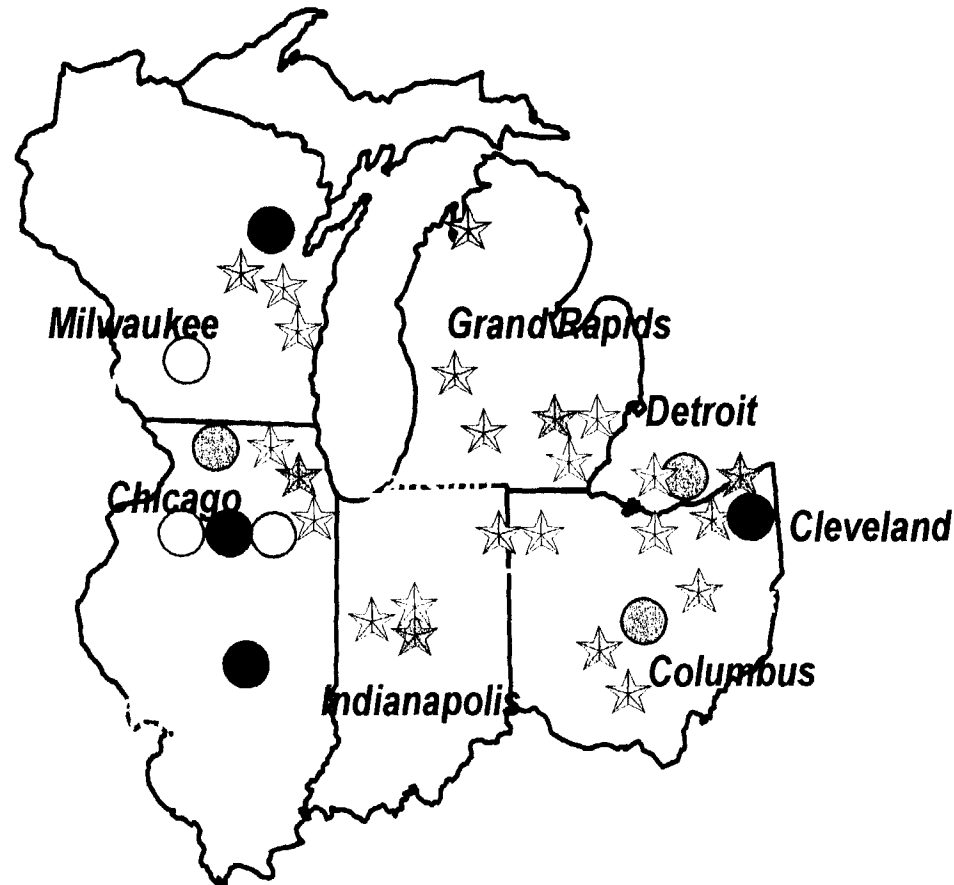
★ TWC



**Competitor Switches - 1996**

***... to more than 30 switches in 1998***

- ★ MFS
- ★ TCG
- ★ MCImetro
- ★ Brooks Fiber
- ★ ICG
- ★ TWC
- WinStar
- Nexlink
- McLeodUSA
- USXchange
- KMC Madison
- Frontier
- Allegiance



**Competitor Switches - 1998**



# **Attachment F**

# STATE COMPETITIVE ACTIVITY

LOC	COMPANY	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
IL	<b>CHICAGO</b>					
	21st Century Telecom of Illinois	R,B	R,B	3-11-98	NEG	
	AT&T	R,B		12-6-95		
	Cable & Wireless		B	2-22-96		
	CalTech		R,B	7-17-96		
	CIMCO		R,B	6-25-97		
	Communications Telesystems International	R,B		1-22-98		
	Continental Telecom	R,B	R,B	9-25-96		
	Datacom International		R,B	X		
	Digital Pipeline Comm.	R,B	R,B	X		
	Fast Connections		R,B	8-27-97		
	HiRim	R,B		7-9-97 (withdrawn)		
	LCI		R,B	1-10-96	NEG	X
	LDDS		R,B	2-22-96		
	Local Line America		R,B	7-30-97		
	MCI Metro	R,B		8-16-95	ANC	
	MFS	R,B		7-10-94	TAR ANC	X
	Midwestern Telecom		R,B	7-9-97		
	MSN Comm		R,B	X		
	MicroSync Corp. (McHenry & Lake Counties)	R,B		X		
	One Stop Telecomm	R,B	R,B	8-7-96		X
	SBMS ILL Serv		R,B	12-20-95	ANC	
	TC Systems	R,B		9-7-94 Abandoned 1-1-96		
	TC Systems - ILL & TCG Illinois	R,B	R,B	11-21-95		
	TCI	R,B	R,B	7-17-96	NEG	
	Teleport	R,B	R,B	11-21-95	TAR	X
	US Telco		R,B	8-27-97		
	WAN Communications		R,B	X		
	WinStar	R,B	R,B	3-27-97	NEG	X
	<b>St. Louis</b>					
	Sharon Telephone	R,B		7-9-97		
	<b>SA 2-11</b>					
	Ushman Comm.	R, B	R, B	2/5/97		
	<b>SA 15</b>					
	TCG St. Louis		R,B	3-12-97		
	<b>Statewide</b>					
	Allegiance Telecom. Of Illinois	R,B		5/20/98		
	A.R.C. Network	R,B	R,B	5-10-96		

EDC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	AADS		B	8/16/95		
	Access One		B	10-9-96		
	ACI	R,B	R,B	3-26-95		
	ACI (Accelerated Connections)	R,B	R,B	6-3-98		
	Adams Telesystems	R, B	B	4/12/95 (R) 5/7/97(FB)		
	Allegiance Telecom of Illinois	R,B	R,B	5-20-98	NEG	
	AmeriVoice Telecom	R,B	R,B	X		
	AM I Comm.		R,B	5-7-97		
	Annox		R,B	9-24-97 (withdrawn)		
	AT&T	R,B	R,B	5-22-96		
	Atlas Comm.	R,B	R,B	6-17-98	NEG	
IL	BellSouth BSE	R,B	R,B	12-3-97		
	Best Communications		R,B	1/22/98		
	Camarato Distributing		R,B	7-8-98		
	Cambridge Telecom	R,B	R,B	6-11-97		
	Century Enterprises	R,B	R,B	8-27-97		
	City of Rochelle	R,B	R,B	7/22/98		
	City of Rock Falls		R,B	X		
	City of Springfield	R,B	R,B	X		
	CIMCO		R,B	9-10-97		
	Clarity Tel		B	2-20-97		
	Coast to Coast	R,B	R,B	5-7-97		
	Columbia Telecom	R,B	R,B	X		
	CommSouth Companies		R,B	1-7-98	NEG	
	Communications Telesystems	R,B		X		
	Computer Business Sciences	R,B	R,B	X		
	Consol. Comm	R,B	R,B	8-14-96	NEG	
	Covad Comm	R,B	R,B	X	NEG	
	CrossLink Long Distance		R,B	10/22/97		
	Cummings Telecom	R,B	R,B	1/22/97		
	Cypress Telecom.	R,B	R,B	10/22/97		
	Dakota Services	R, B		2-4-98	NEG	
	Damron Comm.		R,B	12/5/97		
	Data Net Systems		R,B	10/22/97		
	Debis IT Services, North America, Inc.	R,B	R,B	8-26-98		
	Dial & Save		R,B	10/22/97		
	Digital Serv.	R,B	R,B	Cancelled 4/22/98		
	Diverse Communications Inc.	R,B	R,B	3-25-98		
	DK Comm		R,B	10/22/97		
	DMJ Communications	R,B	R,B	X		
	Eagle Comm	R,B	R,B	6/17/98		
	Easton Telecom	R,B	R,B	5-7-97		

LOC	ENTERANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	Egyptian Comm.	R,B	R,B	5-7-97		
	Excel Comm		R,B	7-9-97		
	EZ Talk Communications		R,B	X		
	FGInet		R,B	10/22/97		
	Focal Comm	B	B	11-7-96	NEG	
	Forte Communications	R,B	R,B	5-20-98	NEG	
	Frontier Local Serv	R, B	R, B	3-11-98		
	Frontier Telemanagment		R,B	6-5-96	NEG	
	GE Capital Comm		R,B	12-18-96		
	Genesco Comm	R,B	R,B	6-11-97		
	Global Comm	R,B	R,B	3/25/98		
	GlobalEyes Telecom		R,B	6-3-98		
	Group Long Dist.	R,B	R,B	3-11-98		
	GTE Card		R,B	1/22/98		
	Henry County Comm.	R,B	R,B	6-11-97		
	ICG Telecom Group	R,B	R,B	X		
	IlliNetworks		R,B	7-6-95		
	Interaccess		R,B	2/4/98	NEG	
	Intermedia Comm	R,B	R,B	11-26-96	NEG	
	Inter-Tel Netsolutions		R,B	10/22/97		
	Intetech L.C.	R,B	R,B	3/25/98		
	Intra Community Comm.	R,B	R,B	11/5/97		
	KMC	R,B	R,B	3-12-97	NEG	
	Landline Corp.		R,B	7-8-98		
	LDD Inc.	R,B	R,B	6/17/98		
	LDM Systems	B	B	X		
	LEC-Link		R,B	7/8/98		
	Level 3 Comm.	R,B	R,B	3/25/98	NEG	
	LJSS General Corp.		R,B	7-30-97		
	Local Line		R,B	7/30/98		
	Loop Telecom, L.P.	R,B		X		
	Madison Network	R,B	R,B	6-25-97		
	Max-Tel Communications		R,B	6-17-98		
	MCI Metro	R,B	R,B	3-12-97		
	MCI Metro		R,B	6-25-97		
	McLeod	R,B		4-24-96	NEG	
	Megsinet-LEC Inc.	R,B	R,B	4/22/98		
	Metro Telemanagement	R,B	R,B	X		
	Metromedia Fiber Network Services	R,B		7/22/98		
	MFS	R,B	R,B	3-26-97		
	MGC Comm.	R,B	R,B	7-9-97	NEG	
	MICOMM		R,B	6/17/98		
	Microwave Serv,	R,B	R,B	7-31-96 Cancelled		X
IL	MIDCOM	R,B	R,B	2-20-97	NEG	
	Midwest Fibernet	R,B	R,B	11-21-95		X
	Millenium Group	R,B	R,B	4-23-97		
	Milliwave	R,B	R,B	10-9-96		
	Minimum Rate Pricing		R,B	10-23-96		

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	Moultrie Infocomm.	R,B	R,B	X		
	MTC Comm.	R,B	R,B	8-27-97		
	National Pre-Paid Inc.	R,B	R,B	X		
	Net-tel Corp.	R,B	R,B	X	NEG	
	Network Logic	R,B	R,B	7/22/98		
	Network Operator Serv.		R,B	X		
	NEXTLINK ILL	R,B	R,B	7-9-97	NEG	
	North American Telecom	R,B	R,B	5/20/98		
	NorhtPoint Comm. Inc.	R,B	R,B	5/6/98		
	NOS Communications		R,B	X		
	NOW Communications		R,B	X		
	OCI Comm. Of Ill.	R,B	R,B	6/3/98	NEG	
	OnmiCall Inc.	R,B		X	NEG	
	One Point Comm	R,B	R,B	5-7-97		
	OpTel Telecom	R,B	R,B	8-13-97	NEG	
	Paramount	R,B	R,B	Dismissed 2/18/98		
	Payphone Serv.		R,B	6/3/98		
	POPP Telecom		R,B	8-27-97		
	Preferred Carrier		R,B	3-27-96		
	Pre-Paid Local Access Phone Service		R,B	5/20/98	NEG	
	QST Comm.	R,B	R,B	9-5-96		
	Quick-Tel Comm.		R,B	X		
	Quintelco		R,B	2-19-98		
	Satellite Paging LLC		R,B	7-8-98		
	SBMS ILL Serv	R,B	R,B	5/21/97		
	Selective Royal Corp.	R,B		6/3/98		
	Sprint	R,B	R,B	7/31/96 (FB) 9/25/96 (R)	NEG	X
	Sterling International Funding		R,B	11/19/97		
	Supra Telecommunications & Information Systems	R,B		X		
	TCI Telephony Service of Illinois	R,B	R,B	6/17/98		
	TELECOM Access Service		R,B	10-8-97		
	Telecourier Comm	R,B	R,B	2/11/98		
	Telenet		R,B	X		
	Teletrust Comm.	R,B	R,B	2/4/98	NEG	
	Teligent	R,B	R,B	11-19-97	NEG	
	TEL-LINK of ILL		R,B	7-30-97		
	Tel-Save		R,B	9/10/97		
	Unidial	R,B		X		
	United Comm.		R,B	2-19-98		
	Universal Access Inc.		R,B	X		
	US Ameritel	R,B	R,B	5-20-98		
	US Long Distance		R,B	9-10-97		

DOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	US ONE	R,B	R,B	1-23-97		
	US OnLine Comm	R,B	R,B	7-8-98		
	U S Telecommunications d.b.a Tel Com Plus		R,B	X		
	US West Interprises	R,B	R,B	8-26-98		
	US Xchange	R,B	R,B	7-9-97		
	USA eXchange		R,B	7-9-97	NEG	
	Ushman Comm	R,B	R,B	2-5-97		
	USN	R,B	R,B	1-10-96		
	Valnet Comm.		R,B	7-30-97		
	Vast-Tel Comm.		R,B	X		
	Wabash Independent Network	R,B	R,B	5-7-97		
	Wireless Cellular Inc.		R,B	X		
	Worldcom	R,B	R,B	9-24-97		
	Z-Tel	R,B	R,B	X		
	Wheaton					
	Century Enterprises			X		
	MCI	R,B	R,B	8-7-94	ANC	
IN	Indianapolis Area					
	MCI/Hancock	B		11/21/95	12/22/95	X
	TCG	R, B		1/23/97	ARB 3/12/97	Appvd 5/20/97
IN	Statewide					
	1-800-Reconex			3/25/98		
	Access Network Svcs.		B	1/15/97	8/27/97	
	Alternate Comm. Technology		R, B	11/5/97		
	Annox, Inc.		R, B	8/27/97	3/18/98	
	AT&T	R, B	R, B	FB-5/8/97 R-9/5/96	ARB 3/26/97	
	Atlas Comm.		R, B	8/27/97		
	Bell South BSE		R, B	10/8/97		
	Buy-Tel		R,B	X		
	Cable & Wireless		R, B	10/8/97		
	CIMCO Comm.		R, B	8/6/97	12/2/97	
	Cincinnati Bell Long Distance		B	12/11/97		
	Coast to Coast Telecom		R, B	9/10/97		
	Columbia Telecom	R,B	R,B	FB-X R-6/10/98		
	Comm. South Cos.		R	6/5/98		
	Communications Prods	R, B	R, B	FB-8/27/97 R-2/5/97		
	Communications Venture	R,B	R,B	X		
	Comtek of Ind.		R, B	7/2/97		
	Consolidated Com.	R, B	R, B	3/5/97	11/5/97	X
	Daylight Engineering		R	X		
	Diversified Comm d.b.a First Choice	R, B	R, B	FB- 12/11/97 R-7/9/97		

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	Easton Telecom Svcs.		R, B	9/10/97		
	Excel Telecom.		R, B	6/11/97		
	FBN Indiana	R, B		X		
	Focal Comm Corp.	R, B	R, B	1/28/98		
	Frontier Telemanagement		R, B	12/23/97	1/14/98	X
	GE Capital Com.		R, B	3/26/97		
	Golden Harbor of IN		R, B	8/27/97		
	Group Long Distance, Inc.		R, B	12/11/97		
	GTE Comm. Corp.		R, B	8/19/97	11/19/97	X
	ICG Telecom Group	R, B	R, B	4/9/97		
	InterAccess		R, B	X		
	Intermedia Com.	B	B	F-5/28/97 R-3/20/97	11/25/97	
	KMC Telecom Inc.	B	B	FB-5/14/97 R-3/20/97	11/5/97	
	LCI Telecom	R, B	R, B	R-2/19/97 B - X	8/13/97	X
	LEC - Link		R, B	X		
	LDM Systems		R, B	7/30/97		
	Local Line America		R	8/6/97		X
	MCI Metro	R, B	R, B	FB- 12/2/97 R-5/28/97		
	McLeod USA		R, B	11/9/97		
	MFS Intelenet	B	B	3/5/97	FB - 10/30/96 R - 1/14/98	
	MiComm Services, Inc.		R, B	12/11/97		
	Midwest Telecom of America		R, B	1/23/97		
	Millenium Group		R, B	4/30/97	10/8/97	
	North American Telecom	R, B	R, B	1/28/98		
	NET - Tel		R, B	8/5/98		
	NextLink Indiana	R, B	R, B	X		
	NOS Comm.		R, B	X		
	NOW Communications		R	X		
	Omni Call		R, B	7/1/98		
	One Call		R, B	1/23/97		
	Phone-Link		R, B	X		
	Preferred Carrier Svcs.		R, B	3/5/97		
	Quick-Tel		R, B	7/1/98		
	Quintelco, Inc.		R, B	12/11/97		
	Shared Telcom		R, B	1/28/98		X
	SIGECOM	R, B	R, B	X		
	Southall Investors		R	X		
	Southeastern Ind. Rural	R, B		X		
	Sprint	R, B	R, B	FB- 8/13/97	ARB	

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
				R-6/11/97	4/11/97	
IN	Starcomm America		B	1/8/97		
	Swayzee Telco		R, B	11/19/97		
	Sweetser Telephone company	R, B		8/5/98		
	Supra Telecom	R, B	R, B	X		
	TCG	R, B		X		
	Telco Holdings d.b.a. Dial & Save of Indiana		R, B	1/29/97		
	Teligent	B	B	7/30/97		
	Tel-Link; L. L. C.		R, B	4/1/98		X
	Tel-Save, Inc.	R, B		7/1/98		
	Time Warner	R, B	R, B	6/25/97	11/13/96	X
	US Exchange of IN	R, B	R, B	FB- 7/30/97 R-5/8/97	11/25/97	X
	US Long Distance		R, B	8/27/97		
	US Tel Corporation		R, B	X		X
	US Telco		R, B	8/27/97		X
	U S Telecommunications d.b.a Tel Com Plus		R, B	X		
	US West Interprise America	B		12/11/97	2/11/98	
	UniDial		R, B	7/15/98		
	USN Comm Midwest		R, B	10/8/97		
	Vast-Tel		R, B	X		
	Washington Co. Rural	R, B		X		
	Winstar Wireless	R, B	R, B	FB- 7/30/97 R-5/8/97		
	Wright Business	R, B		X		
	Z -Tel		R, B	X		
MI						
	Accelerated Connections		R, B	X		
	AT&T	R, B	R, B	4/26/96	ARB	X
	BRE Communications	R, B	R, B	8/12/97	NEG	
	Brooks Fiber	R, B	R, B	8/1/96	NEG	X
	Building Communications		B	3/10/97		
	CIMCO Comm.	R, B	R, B	11/25/97		
	CMC Telecom	R, B	R, B	11/25/97		
	Continental	R, B	R, B	9/12/96	Filed	
	Cypress Telecom	R, B	R, B	2/5/97		
	Easton Telecom	R, B	R, B	10/15/97		
	Group Long Distance	R, B	R, B	X		
	MCI Metro	R, B		3/29/95	ARB	X
	MFS	B		5/9/95	NEG	X
	Microwave Services	R, B	R, B	7/31/97	NEG	
	Mid-America	R, B	R, B	X		
	Millennium Group	R, B	R, B	5/7/97		
	NextLink	R, B	R, B	7/13/98		



LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	NorthPoint	R,B		X		
	Polycom America		R, B	6/25/97 Licence Rescind- ed 2/98		
	Sprint	R, B	R, B	11/26/96	ARB	X
	Tel-Save, Inc.	R, B	R, B	8/25/97		
	Tele-Phone Com. (TPC)		R, B	2/5/97		
	Teleport	R, B	R, B	4/26/96	ARB	X
	USN	R, B	R, B	8/26/96	NEG	X
	WinStar	R, B	R, B	6/26/96	NEG	
<b>Table Creek &amp; Kalamazoo Area</b>						
	AT&T	R, B	R, B	11/8/95	ARB	X
	Climax Telephone Co.	R, B		10/07/96	ARB	
	Easton Telecom	R, B	R, B	10/15/97		
	MFS	R, B		11/14/96	NEG	
	MetroNet- Telecom	R,B	R,B	3/10/98		
	Millennium Group	R, B	R, B	5/7/97		
	NorthPoint	R,B		X		
	Sprint	R, B	R, B	11/26/96	ARB	
	USN	R, B	R, B	2/5/97	NEG	

MI

Accelerated Connections		R,B	X		
A. R. C. Networks, Inc.		R, B	4/4/97		
ACI	R, B		8/28/96		
AT&T ( All Detroit Dist.)	R, B	R, B	4/26/96	ARB	X
Building Com.		B	3/10/97		
CIMCO Comm.	R, B	R, B	11/25/97		
CMC Telecom	R, B	R, B	11/25/97		
Coast to Coast	R, B	R, B	1/8/97	NEG	
Comcast M H Telephony	R, B	R, B	12/20/96		
Comcast Telephony	R, B	R, B	12/20/96		
Continental		R, B	9/12/96		
Cypress Telecom.	R, B	R, B	2/5/97		
Easton Telecom	R, B	R, B	10/15/97		
Group Long Distance	R,B	R,B	X		
Image Paging of MI		R, B	6/25/97		
KMC	R, B	R, B	4/4/97	NEG	
LCI		R, B	4/26/96	ARB	X
MichTel, Inc.	R,B	R,B	X	Signed	
MCI/Metro	R, B		3/29/95	ARB	X
MFS	R, B		5/9/95	NEG	X
Microwave Services	R, B	R, B	7/31/97	NEG	
Mid-America	R,B	R,B	X		
NextLink	R,B	R,B	7/13/98		
NorthPoint	R,B		X		
Polycom America		R, B	6/25/97 License Rescind- ed 2/98		

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	Sprint	R, B	R, B	11/26/96	ARB	
	SurTel, Inc.	R, B	R, B	X		
	TCG ( All Detroit Dist)	R, B	R, B	4/27/96	NEG	X
	Tel-Save, Inc.	R, B	R, B	8/25/97		
	Tele-Phone Com. (TPC)		R, B	2/5/97		
	U. S. Network	R, B	R, B	8/26/96	NEG	X
	WinStar	R, B	R, B	6/26/96	NEG	
	<b>Grand Rapids</b>					
	A. R. C. Network, Inc.		R, B	08/28/96		
	ACI	R, B		08/28/96		
	AT&T	R, B	R, B	11/08/95	ARB	X
	BRE Comm	R, B	R, B	8/12/97	NEG	
	Brooks Fiber	R, B	R, B	10/12/94	NEG	X
	LCI		R, B	04/26/96	ARB	X
	MFS	R, B		11/14/96	NEG	
	Millennium Group	R, B	R, B	5/7/97		
	NorthPoint	R, B		X		
	Sprint	R, B	R, B	11/26/96	ARB	
	USN	R, B	R, B	2/5/97	NEG	
	<b>Highland</b>					
	Baraga Telephone	R, B		X		
	<b>Livingston</b>					
	AT&T	R, B	R, B	4/26/96	NEG	
	BRE Comm	R, B	R, B	8/12/97	NEG	
	Brooks Fiber	R, B	R, B	8/01/96	NEG	X
	Continental	R, B	R, B	9/12/96	Filed	
	MetroNet-Telecom	R, B	R, B	3/10/98		
	MFS	R, B		11/14/96	NEG	
	Millennium Group	R, B	R, B	5/7/97		
	NorthPoint	R, B		X		
	Sprint	R, B	R, B	11/26/96	ARB	
	USN	R, B	R, B	2/5/97	NEG	
	<b>Port Huron</b>					
	BRE Comm	R, B	R, B	8/12/97	NEG	
	Michigan Indep. Network	R, B	R, B	5/22/97		
	Mid-America	R, B	R, B	X		

MI

<b>Saginaw City, MI Morris, Eshelon, Flint, Flushing, Grand Blanc, ...</b>					
<b>Island</b>					
BRE Communications	B		10/24/96	NEG	
MFS	R, B		11/14/96	NEG	
Mid-America	R, B	R, B	X		
MetroNet-Telecom	R, B	R, B	3/10/98		
NorthPoint	R, B		X		
SurTel, Inc.	R, B	R, B	X		
USN	R, B	R, B	2/5/97	NEG	
<b>Trav. Crs. Island/Zeland</b>					
AT&T	R, B	R, B	4/26/96	ARB	X
BRE Comm	R, B	R, B	8/12/97	NEG	

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	Brooks Fiber	R, B	R, B	08/29/95	NEG	X (For all three cities)
	MFS	R, B		11/14/96	NEG	
	Sprint	R, B	R, B	11/26/96	ARB	
	USN	R, B	R, B	2/5/97	NEG	
	<b>44 Communities &amp; 29 Zone Exchanges</b>					
	Continental Cable Vis.	R, B	R, B	9/12/96	Filed	
	<b>Lower Peninsula</b>					
	BRE Comm	R, B	R, B	8/12/97	NEG	
	Coast to Coast (RS)	R, B	R, B	1/8/97	NEG	
	MichTel, Inc.	R, B	R, B	X	Signed	
	<b>Bay City, Escanaba, Flint, Kalamazoo, Marquette, Midland, Pontiac, Port Huron, Saginaw</b>					
	Millennium Group	R, B	R, B	5/7/97		
	Tel-Save, Inc.	R, B	R, B	8/25/97		
	<b>All Exchanges Served by Ameritech</b>					
	Dakota Services	R, B	R, B	X	Filed	
	Focal Comm.	R, B	R, B	X		
	Frontier Telemanagement		R, B	7/10/97		
	GTE Card	R, B	R, B	12/12/97		
	KMC	R, B	R, B	4/4/97	NEG	
	Level 3 Communications	R, B	R, B	5/11/98	NEG	
	Long Distance of MI	R, B	R, B	12/12/97		
	MCI Metro	R, B	R, B	6/5/97	ARB	
	MidCom Communications	B	R	4/24/97		
	NOW Comm.		R, B	X		
	Sterling International		R	X		
	Sprint	R, B	R, B	7/10/97	ARB	
	Unidial Comm.	R, B	R, B	X		
	US Telco		R, B	X		
	US Xchange of MI	R, B	R, B	11/7/97	NEG	
	USN Communications	R, B	R, B	11/7/97	NEG	
	US West Interprise	R, B	R, B	X	Filed	
OH	<b>Cleveland</b>					
	Cablevision Lightpath-OH	R, B		08/01/96		
	MCI/Metro*	B	R, B	08/31/95	NEG	Appvd
	MFS*	B		08/03/95	NEG	Appvd
	Sammors Corner, Inc.		R, B	X		
	TCG	R, B		9/26/96	Order 12/24/96	Appvd
	US One	R, B	R, B	4/25/97		
	<b>Columbus</b>					
	MCI/Metro	R, B	R, B	08/31/95	NEG	Appvd
	MFS	R, B		08/03/95	NEG	Appvd
	Mid Com.		R, B	1/16/97		
	Scherer Com. (614 LATA)	R, B	R, B	9/19/96		
	Time Warner*	R, B		08/24/95	NEG	Appvd
	US One	R, B	R, B	4/25/97		
	<b>Dayton</b>					

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
OH	MCI Metro*	B	R, B	08/31/95	ANC	Appvd
	TCG	R, B		9/26/96	Order 12/24/96	Appvd
	Time Warner*	R, B		08/24/95	NEG	Appvd
	Toledo					
	Brooks Fiber (Lucas, Wood Counties)	R, B	R, B	9/19/96	NEG	Appvd
	Buckeye Telesystem	R, B	R, B	Apprvd		Appvd
	(Statewide Ameritech Territory)					
	A. R. C. Networks		R, B	3/13/97		Appvd
	Access Network		R, B	X		
	ACI	R, B		X		
	AT&T		R, B	08/22/96	Order 12/05/96	
	Atlas Comm	B	B	X		Appvd
	Bell South, BSE		R, B	Appvd		
	BN1		R, B	Appvd		
	Cable & Wireless		B	1/15/97		Appvd
	CBG		R, B	10/24/96	NEG	Appvd
	Cincinnati Bell LD, Inc.	R, B	R, B	X		
	CIMCO		B	Apprvd 9/18/97	Appvd	Appvd
	Cincinnati Voice & Data		B	1/30/98		
	Coast to Coast		R, B	5/8/97	Appvd	
	Communications Options	R, B		5/22/97	Appvd	Appvd
	Commonwealth Telecom Svcs.	R, B	R, B	X		
	CRG		B	X		
	DIGICOM, Inc.		R, B	4/7/97	Appvd	Appvd
	Eagle Comm.		R, B	Appvd		
	Easton Com	B	B	Appvd		Appvd
	EriNet		R, B	Appvd		
	Excel Telecom		R, B	Appvd		Appvd
	Frontier Local Services	B	B	2/12/98	2/9/98	
	Frontier Telemgmnt		B	6/10/97		Appvd
	Globalcom		R, B	Appvd		
	Group Long Distance		R, B	X		
	ICG	R, B	R, B	7/3/96	NEG	Appvd
	Intermedia Comm.		B	5/6/97	Appvd	
	LCI		R, B	3/13/97	Appvd	Appvd
	LDDI, Inc.		R, B	X		
	LDM	B	B	Apprvd		Appvd
	LEC-Link		R, B	X		
	Level 3 Comm.	R, B	R, B	X		
	Local Fone Service		R, B	Appvd	Appvd	Appvd
	Millenium Group	B	B	Appvd	Appvd	Appvd
	Net-Tel		R, B	X	Fled	X
	NEXTLINK	R, B		1/15/97	Appvd	Appvd
	North American Telecom. Corp.	R, B	R, B	X		

OC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
	NorhtPoint Comm. Inc.	R,B	R,B			Appvd
	OCOM, Corp.		R, B	4/18/97		X
	OmniCall, Inc.		R,B	X		
	PCS		R, B	3/3/97		
	PNG Telecom		R,B	X		
	Professional Telecom Services, Inc. CBT		R	4/28/98		
	Quintelco		R, B	Appvd		
	RAEX	B	B	X		
	Sprint		R, B	X	Appvd	X
	Sterling Int'l Fund		R	X		Appvd
	SupraTelecom. and Information	R,B	R,B	X		
	Teligent, Inc.	B	B	X		X
	Tel-Save		R	Apprvd		
	US Long Distance (USLD)		R, B	X		
	USN		B	3/27/97	Appvd	Appvd
	Winstar	R, B	R, B	3/3/97		
OH	Z CO		R,B	X		X
WI	Satewid					

ACI	R, B	R, B	11/27/96***		
AT&T	B	R, B	09/01/94	ARB 12/23/96- APP 1/15/97 Executed	
Bayland Com.	R, B	R, B	2/25/97  Second Interim Order Signed 7/31/97	ARB 10/24/97	
Chequamegon	R, B	R, B	7/14/97 Second Interim Order Signed 7/31/97	ARB Correction 4/9/98	
CIMCO		R, B	9/17/93		
CTC Communications	R, B	R, B	2/25/97  Second Interim Order Signed 7/31/97		
Dakota Services Ltd	R, B	R,B	4/15/97	NEG 2/24/98	
Digital Teleport				NEG Filed	

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
					7/31/98	
	Ebontel	R,B	R,B	2/24/98		
	Fonorola	R,B	R,B	P		
	Frontier Telemanagement		R, B	A		
	GTE Comm. Corp.	R,B	R,B	X		
	Global Telecom		R,B	2/7/95		
	HD Comm.		R,B	3/21/97		
	InterAccess Telecom	R,B	R,B	8/23/98		
	Intermedia Com.	R, B	R, B	2/25/97		
	Internet Wisconsin LLC	R,B	R,B	3/24/98		
	Intra Community Com.	R, B	R, B	7/17/96		
	KMC Telecom	R, B	R, B	1/29/97	Neg 10/24/97	
	LCI International	R, B	R, B	8/12/96	Neg-Resale 10/24/97 ARB 4/30/98	
	MCI Telecom.	B	R, B	09/01/94	ARB 12/8/97	
	MCI/Metro	R, B	R, B	2/22/96	Interim Not Subject to Approval	
	McLeod	R, B	R, B	FB- 4/15/97 R-5/31/96	NEG 9/11/97	
	Mid - Com*****		R,B	12/18/91	NEG 1/21/98	
	MFS	R, B	R, B	7/17/96	NEG 7/31/97 (Amended)	
	MH Telecom, Inc.	R,B	R,B	10/8/97		
	Mid Plains Comm. Systems	R,B	R,B	8/8/97		
	Millennium		R, B	9/4/96		
	National Comm	R,B	R, B	2/26/98		
	NET LEC, Inc.	R, B	R, B	9/10/97		
	Net-Tel Corp.		R,B	A	NEG filed 6/10/98	
	Network Recovery Services		R, B	2/9/95		
	NextLink	B	B	P		
	Norlight, Inc. ** (MRC)	B	R, B	08/16/96		
	Nextel West (recip. comp.)					
	North American Telecomm. Corp.	R,B	R,B	2/27/98		
	Ovation	R,B	R,B	2/26/98	NEG. 4/16/98	
	Sprint	B	R, B	09/01/94	ARB 4/16/97	
	Strategic Alliance/London		R,B	10/11/91		

LOC	ENTRANT	FB	RS	APP OR PEND (X)	INTER- CONNECT	TAR
				R-1/23/98		
	Supra Tel & Info Sys (STIS)	R,B	R,B	P		
	TCC Comm.		R,B	X		
	TCG	R, B	R, B	10/27/95	ARB 3/4/97	Appvd
	TDS/Madison CLEC	R, B	R, B	2/25/97	NEG 12/8/97	
	Telephone Assoc.		R,	1/9/96		
	Teligent Inc. ****	R,B	R,B	3/13/98	NEG 7/7/98	
	Time Warner	R, B	R, B	03/28/96	NEG 8/27/96	
	United Comm. Sys.		R,B	5/22/96		
	US West Interprise, America	R,B	R,B	5/8/98	NEG 4/3/98	
	US Xchange	R, B	R, B	5/23/97	NEG 10/24/97	Appvd
	USN Communications		R, B	9/1/95		
	West Wisconsin	R, B	R, B	7/14/97  Second Interim Order Signed 7/31/97	ARB 4/9/98	
	WinStar *****	R, B	R, B	8/14/96	NEG 7/31/98	
	Wisconsin Comm. Net, Inc.	R,B	R,B	7/16/98		

FB = FACILITIES BASED R = RESIDENCE RS = RESALE B = BUSINESS TAR = TARIFF  
NEG = NEGOTIATION ANC = ANCILLARY AGREEMENT ARB = ARBITRATION

\* Obtained certification but not operating authority

\*\* Originally certified as MRC. Corporate merger resulted in Norlight being certified

\*\*\* Limited certification to GTE areas

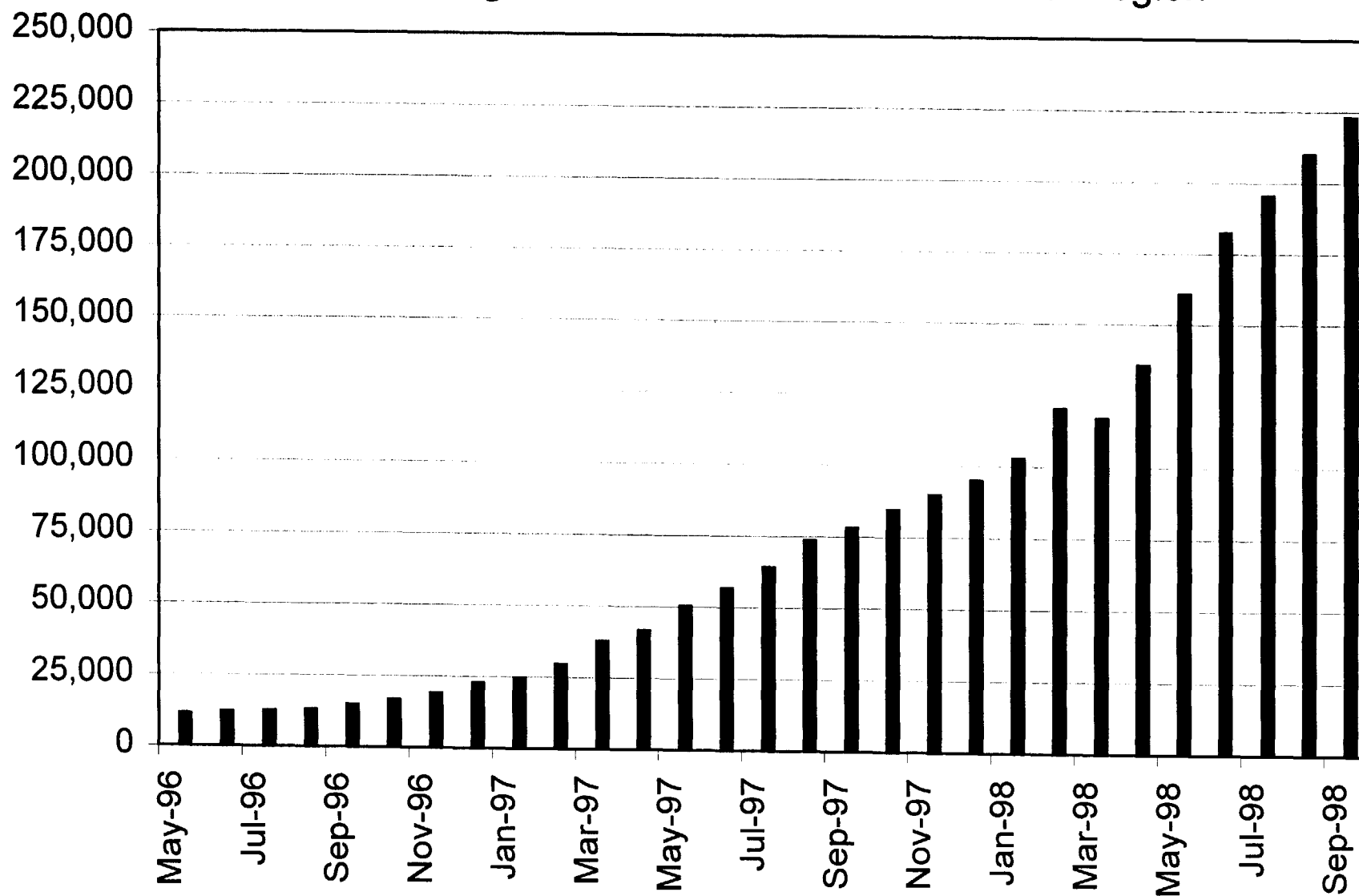
\*\*\*\* Licenses transferred from Microwave Services

\*\*\*\*\* MIDCOM transferred assets to Winstar 3/3/98

# **Attachment G**

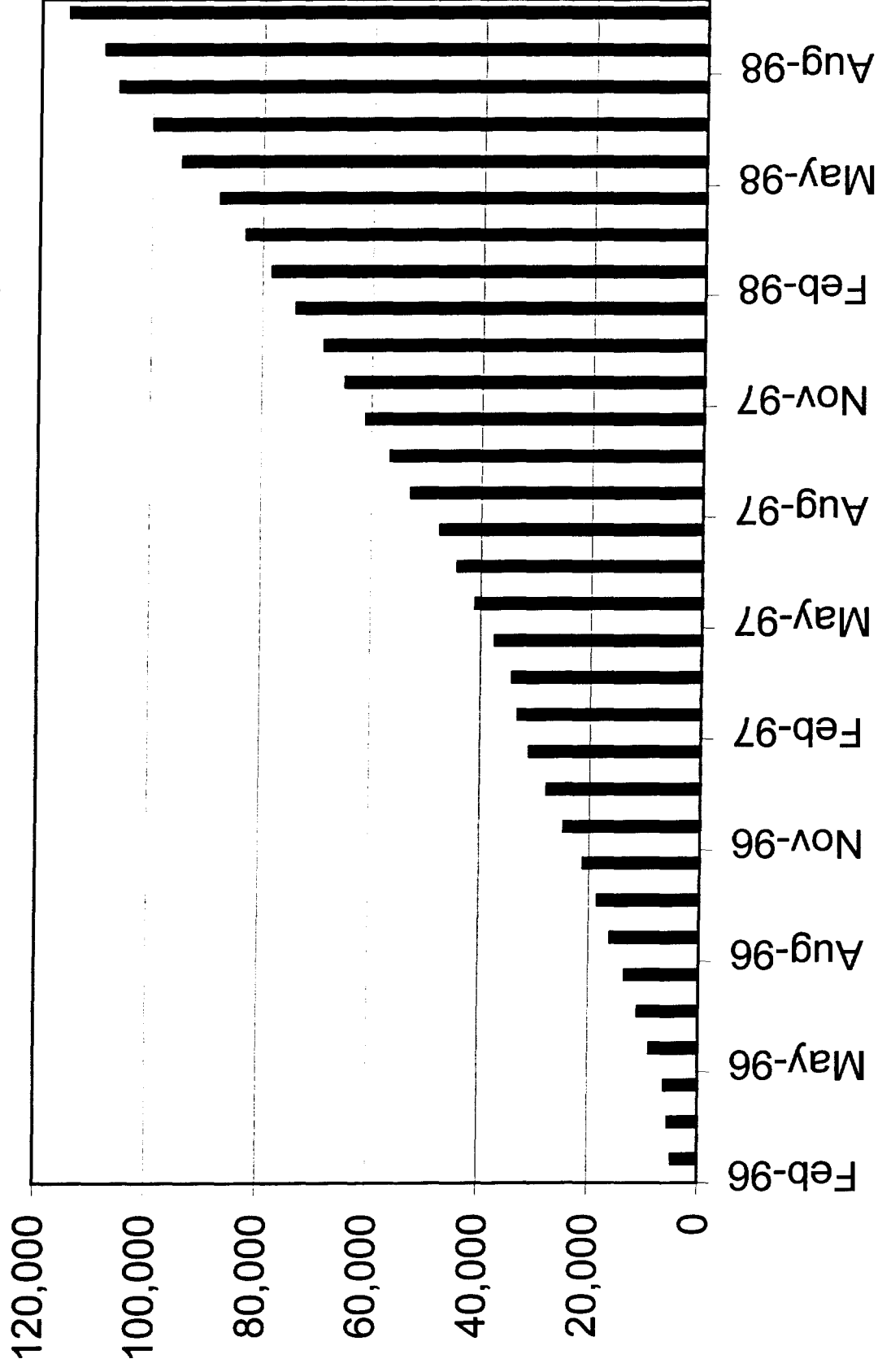


## End office integration trunks -- Ameritech served region



Cumulative Ameritech provided trunks, not net of any disconnect activity.

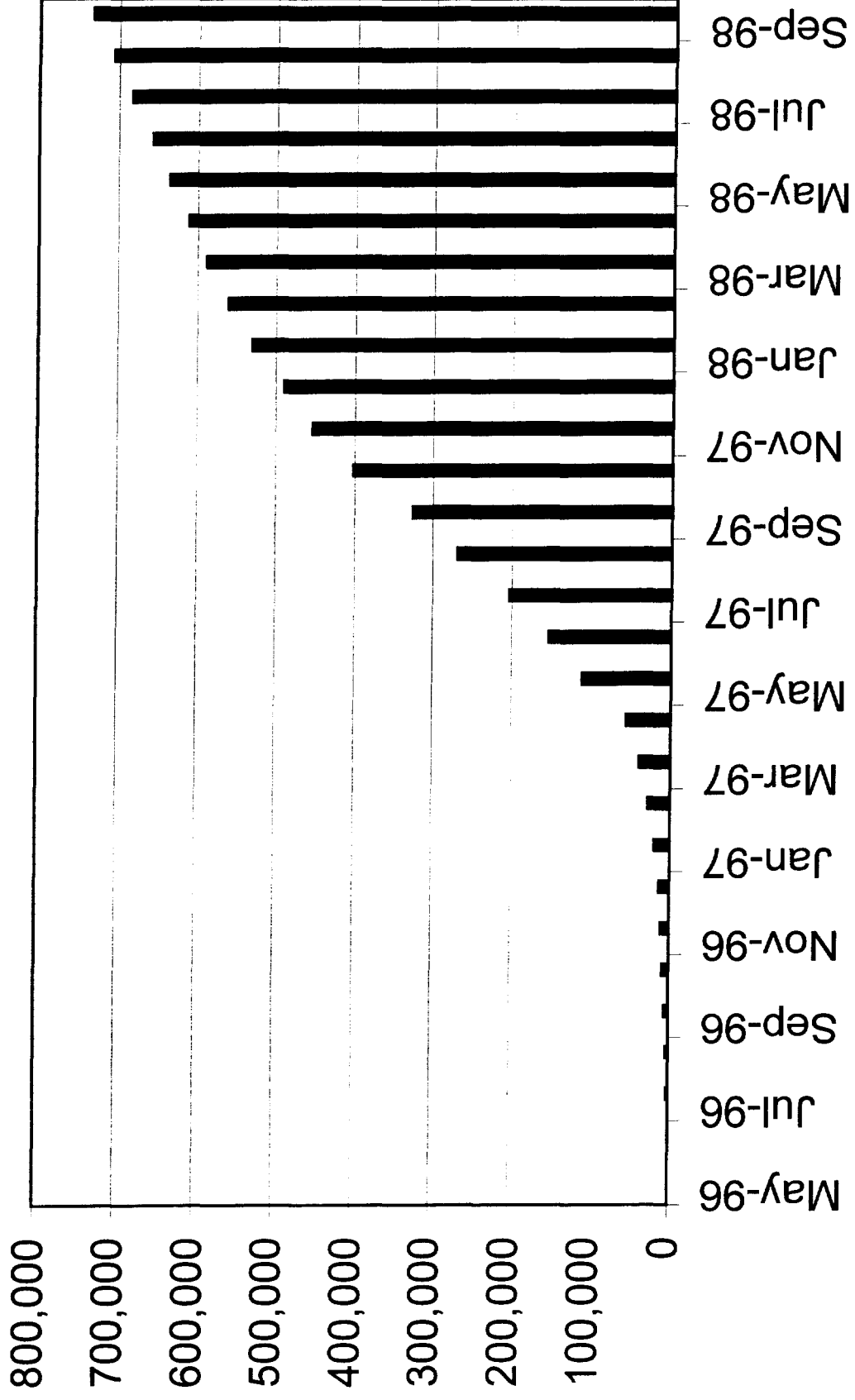
# Unbundled loops -- Ameritech served region



Cumulative Ameritech provided loops, not net of any disconnect activity.

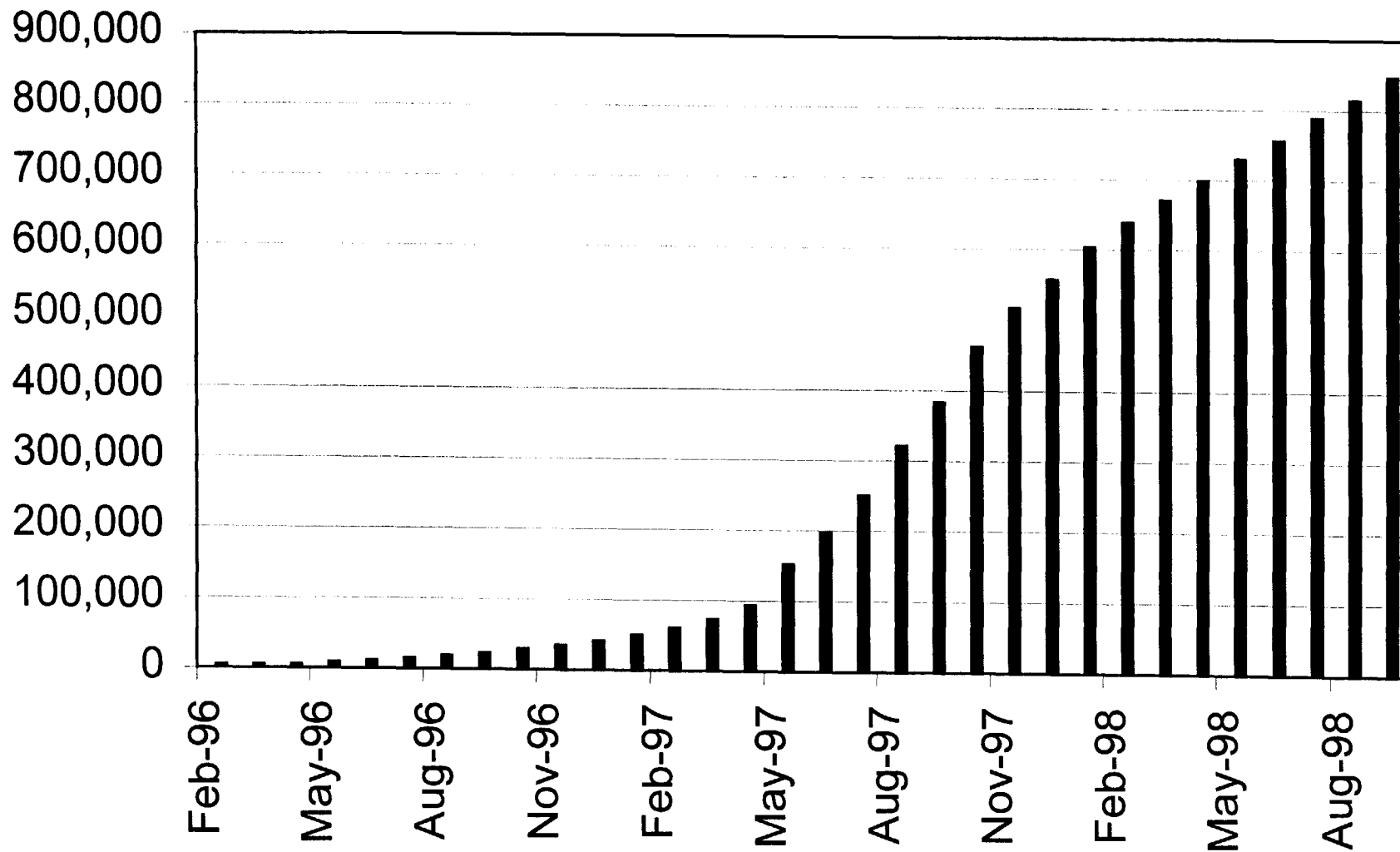
# Resold lines -- Ameritech served region

Excludes resold centrex lines



Cumulative Ameritech provided lines, not net of any disconnect activity.

## Competitor lines in the Ameritech region (excluding CLEC self-provisioning)



Cumulative Ameritech provided lines, not net of any disconnect activity.

# **Attachment H**

1401 H Street, N.W.  
Suite 1020  
Washington, D.C. 20005  
Office 202/326-3821  
Fax 202/326-3826



**Lynn Shapiro Starr**  
Executive Director  
Federal Relations

September 8, 1998

**RECEIVED**

**SEP 8 1998**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, NW  
Room 222  
Washington, DC 20554

**Re: Ex Parte Filing**  
CC Docket 97-121, CC Docket 97-137  
CC Docket 97-208, CC Docket 97-231  
And CC Docket 96-98

Dear Ms. Salas:

On Friday, September 4, 1998, Mr. John Lenahan and I met with Ms. Kathryn Brown, Ms. Carol Matthey, Mr. Don Stockdale, Ms. Jane Jackson and Mr. Jake Jennings of the Common Carrier Bureau. We discussed Ameritech's position on Shared Transport and provided an update of "Ameritech's View of the Roadmap", a copy of which is attached.

Sincerely,

A handwritten signature in cursive script, reading "Lynn Shapiro Starr".

Attachment

cc: K. Brown  
C. Matthey  
D. Stockdale  
J. Jackson  
J. Jennings

# **SECTION 271 STATUS REPORT**

## **AMERITECH'S VIEW OF THE "ROADMAP"**



**UPDATED AS OF SEPTEMBER 3, 1998**

**(SUPPLEMENTING ORIGINAL DATED  
JANUARY 21, 1998)**

**(FOR DISCUSSION PURPOSES)**

### September 3, 1998 Update

**Introduction and Purpose** Section 271 of the Telecommunications Act of 1996 may survive its current legal challenges, or it may be found on appeal to be unconstitutional, or it may be legislatively modified. Regardless of those future outcomes, Ameritech – for planning purposes – assumes it will be necessary to demonstrate that it has opened the local market to competition, in compliance with Sections 251 and 252 of the 1996 Act. Therefore, for purposes of discussion, this paper assumes Section 271 and the Commission's "roadmap" will continue to govern Ameritech's entry into long distance.

The Commission described its interpretation of Section 271 in its Order that denied Ameritech's application to provide long distance service in Michigan. The substantive requirements identified in that Order have been called the "roadmap." (CC Docket 97-137, FCC 97-298) In its South Carolina 271 Order, the Commission reaffirmed the guidance it provided in the Michigan 271 Order and, in a few areas not addressed in its prior Order, provided additional guidance for future applications. (CC Docket 97-208, FCC 97-418)

This paper has two purposes. First, it is intended to convey Ameritech's understanding of the Commission's expectations for a successful 271 application. The goal is to facilitate an open dialogue between Ameritech and the Commission, State commissions and the Department of Justice to achieve a successful application. Second, this memo provides a summary of Ameritech's position on, and the current status of, the substantive requirements of the "roadmap."

### September 3, 1998 Update

*On January 22, 1998, Ameritech provided to the Commission a position paper, which as described above, summarized its understanding of the Section 271 "roadmap." This January position paper provided the foundation for twelve subsequent meetings between Ameritech and FCC Staff in conjunction with the Commission's so-called collaborative process.*

*The purpose of this September 3, 1998 supplement is to update the Commission regarding progress made since January 1998. To highlight the changes from the original January paper, updates provided in this September supplement are shown in **Bold Italics**. Except for these updates, the text is identical to the executive summary in the January paper.*

*Ameritech's current Section 271 status is easy to summarize: Based on the extensive collaborative process summarized below, Ameritech believes that all operational, pricing and performance issues identified by the Commission have been resolved. At the current time, there are two pending legal issues that must be resolved:*

- *Pre-combined "network platforms" – now before the U.S. Supreme Court.*
- *"Shared Transport" – Ameritech will seek rehearing in the Eighth Circuit.*



**Next Steps** Although Ameritech's application was denied, the Commission recognized the significant accomplishments made to open the local exchange market to competition:

"Ameritech has committed considerable resources and has expended tremendous efforts in implementing many of the steps necessary to receive in-region, interLATA authority . . ." (§ 403) Ameritech remains committed to providing its customers with a meaningful alternative to existing long distance services available today, and so also remains committed to a successful 271 application. To those ends, Ameritech proposes the following next steps:

- Review substantive issues with state staff, DOJ and Commission staff to reach mutual understandings and resolutions without further delay.
- All parties commit to an open and candid working relationship, with – and this is critically important – two-way dialog.
- After staff review, Ameritech will supplement the state dockets to reflect new information and performance results.
- After state review, Ameritech will refile with the FCC.

Ameritech believes these proposed steps are consistent with and responsive to recent statements from the Commission encouraging a more open and cooperative 271 process. As Chairman Kennard recently stated: "... by working together *before* a section 271 application is filed . . . interested parties can seek to eliminate uncertainties and resolve potential disputes . . ." See Separate Statement of Chairman Kennard (CC Docket 97-208, December 24, 1997, emphasis in original); See also Separate Statement of Commissioner Ness (CC Docket 97-208, p. 2) and Separate Statement of Commissioner Powell (CC Docket 97-208, p. 1), and Statement released January 15, 1998. Ameritech prepared this paper, which discusses each of the 271 requirements identified by the Commission, to initiate such "open dialogue" and this "getting to yes" process.

#### **September 3, 1998 Update**

***The following Commission actions or judicial decisions have helped to further clarify the Section 271 "roadmap:"***

- ***Iowa Utilities Board v. FCC, 135 F. 3d 535 (8th Cir. 1998) (Pricing Mandate)***
- ***Louisiana 271 Order (CC Docket 97-231, FCC 98-17)***
- ***SBC Communications, Inc. v. FCC, 138 F. 3d 410 (D.C. Cir. 1998) (Oklahoma Order Affirmed)***
- ***Southwestern Bell Telephone Company v. FCC (August 10, 1998, Slip Op., 8th Cir.) (Affirming "Shared Transport" Order), Petitions for Rehearing due September 24, 1998***

- *Second BellSouth Louisiana Section 271 Application, filed July 9, 1998, Order due October 13, 1998*
- *U. S. Supreme Court Oral Argument, 8th Cir. Local Competition Rules, Argument scheduled for October 13, 1998*

*The following discussions between the Common Carrier bureau and Ameritech have occurred:*

<i>1/22/98</i>	<i>Initial Meeting – January 21, 1998 White Paper Provided</i>
<i>2/4/98</i>	<i>911/E911, Directory Assistance and Operator Services, Number Administration, White Page Directory Listings, Poles and Conduit, Local Dialing Parity</i>
<i>2/12/98</i>	<i>Interconnection, Resale, Databases and Signaling, Reciprocal Compensation</i>
<i>2/18/98</i>	<i>Loops, Local Transport, Local Switching, Number Portability</i>
<i>2/27/98</i>	<i>Feedback from FCC</i>
<i>3/6/98</i>	<i>Section 272, Tracks A and B</i>
<i>3/11/98</i>	<i>Operational Support Systems</i>
<i>3/16/98</i>	<i>Performance Measurements</i>
<i>3/27/98</i>	<i>FCC Feedback</i>
<i>4/3/98</i>	<i>Operational Support Systems Visit</i>
<i>4/8/98</i>	<i>Combinations of Unbundled Network Elements</i>
<i>5/1/98</i>	<i>Public Interest, OSS Update, FCC Feedback</i>

*The following Ameritech filings related to Section 271 issues have been provided to the Commission:*

<i>6/4/98</i>	<i>Combinations of Unbundled Network Elements – Ameritech's Presentation on Panel 3 at Common Carrier Forum Regarding Collocation</i>
<i>6/1/98 and 7/6/98</i>	<i>Performance Measures – Comments and Reply in CC Docket 98-56</i>

**8/4/98 and 8/25/98    Comments and Reply in Support of BellSouth Louisiana II Application**

**9/1/98                      Public Interest – Ameritech Comments Filed in CC BPol. 98-4**

***Based on this significant dialogue, and subsequent Commission orders and judicial opinions, Ameritech believes significant progress has been accomplished since January, 1998. The balance of this update focuses on the primary Section 271 Requirements:***

- I.        Track A**
- II.      Checklist Compliance**
- III.     Section 272**
- IV.     Public Interest**

**\* \* \* \***

**I.        Track A Findings**

Ameritech agrees with the Commission's legal conclusions regarding the statutory requirements to comply under "Track A." There appear to be only two remaining issues: what constitutes "predominant" and whether PCS service is "telephone exchange service." In contrast, Ameritech disagrees with the Commission's existing legal interpretations regarding the availability of Track B. However, this paper does not address Track B because the Commission has indicated that it will provide specific guidance on this issue in a future proceeding.

**September 3, 1998 Update**

***The FCC appears to agree that a PCS provider can satisfy Track A if it offers "telephone exchange service" as defined by Section 3(47)(A) and is a "actual commercial alternative to the BOC." See Louisiana Order I at ¶ 73.***

***The Commission's interpretation of a "qualifying request" in connection with Track B was affirmed by the Court of Appeals for the District of Columbia***

***The meaning of "predominant" is still unresolved.***

## **II. Checklist Compliance**

### **September 3, 1998 Update**

*As discussed during the collaborative process, Ameritech believes that it has successfully addressed the operational and implementation issues identified in the Ameritech Michigan 271 Order in connection with the competitive checklist. This resolution can be demonstrated by an assessment of local competitive entry. For comparison's sake, local competitive entry as of November 1, 1997, which is when most of the operational issues that were identified by the FCC as needing improvement were successfully resolved, and July 1, 1998, the most recent date figures are available, demonstrates that Ameritech has opened the local market to competitive entry:*

	<u>November 1, 1997</u>	<u>July 1, 1998</u>
<b>Collocation</b>		
Physical	50	207
Virtual	169	239
Total	219	447
<b>EOI Trunks</b>	84,555	182,491
<b>Unbundled Loops</b>	61,006	99,614
<b>Resold Lines</b>	398,000	903,064
<b>Total Lines Provided by Ameritech</b>	459,000	1,002,678
<b>Estimated Bypass<sup>1</sup></b>	<u>171,520</u>	<u>402,236</u>
<b>Total Competitive Lines</b>	630,520	1,404,914

*A summary of competitive checklist compliance as of July 1, 1998 is shown on the next page.*

---

<sup>1</sup> Bypass estimate assumes 2.75 Lines/EOI Trunk less unbundled loops.

**Ameritech's Competitive Checklist Compliance**  
**As Of July 1, 1998**

- |     |   |  |
|-----|---|--|
| 1)  | <b>interconnection</b>                      | <b>208 Wire Centers with physical collocation<br/>239 Wire Centers with virtual collocation<br/>182,491 interconnection trunks</b> |
| 2)  | <b>access to unbundled network elements</b> | <b>OSS Capacity<br/>Pre Order – 1200 per hour<br/>Order – 15,000 per day<br/>Trouble Report – 2,300 per day</b>                    |
| 3)  | <b>poles, conduits and row</b>              | <b>1.2 million poles<br/>2.5 million conduit feet</b>  |
| 4)  | <b>unbundled loops</b>                      | <b>99,614 local loops provisioned</b>  |
| 5)  | <b>unbundled local transport</b>            | <b>Orders from five CLECs</b>  |
| 6)  | <b>unbundled local switching</b>            | <b>Local switching is available; tandem switching is being provided</b>  |
| 7)  | <b>911, OS and DA</b>                       | <b>458 trunks for 911 service<br/>214 operator service trunks<br/>499 directory assistance trunks</b>                              |
| 8)  | <b>white page listings</b>                  | <b>309,828 listings provided (239,475 residential and 70,353 business)</b>   |
| 9)  | <b>number administration</b>                | <b>1,160 NXXs assigned</b>   |
| 10) | <b>signaling and call related databases</b> | <b>9.2 million queries per month</b>   |
| 11) | <b>number portability</b>                   | <b>108,346 interim<br/>2,686 long term</b>   |
| 12) | <b>local dialing parity</b>                 | <b>Billions of inter-network related calls with full local dialing parity</b>  |
| 13) | <b>reciprocal compensation</b>              | <b>Ameritech to CLEC 690 Million MOUs in June<br/>CLEC to Ameritech 56 Million MOUs in June</b>                                    |
| 14) | <b>resale</b>                               | <b>903,064 resale lines sold</b>   |

**Checklist Issues That Are Resolved.** As the Commission noted, seven of Ameritech's fourteen checklist items were in "limited dispute." These include: poles and conduit, directory assistance and operator services, white page directory listings, numbering administration, call routing databases and associated signaling, local dialing parity, and reciprocal compensation. As described in this paper, Ameritech has resolved all issues raised relative to these checklist items. In addition, Ameritech has continued to work with carriers as new disputes arise – which they surely will in such a complex area. Based upon Ameritech's original showing, and the resolution of these limited disputes, there should be no question that these seven checklist items fully satisfy the checklist. Finally, although the Michigan 271 Order did not address the applicability of reciprocal compensation for calls to information service providers, Ameritech believes that such calls are not entitled to reciprocal compensation because they are exchange access, not local calls. Ameritech has established and funded an escrow account for these disputed amounts, and strongly encourages the Commission to promptly resolve this significant pending legal issue.

In addition, most of the other checklist concerns identified in the Michigan 271 Order have been or will be fully resolved. These issues include: interconnection and call blockage, 911 and E911 services, long-term number portability, and resale of intraLATA toll service. With respect to interconnection, Ameritech will provide the call blockage information the Commission requested, and will demonstrate that all identified blockage concerns have been adequately resolved. With respect to the functioning of our OSS, Ameritech has implemented numerous system design modifications to improve already industry-leading flow-through and processing intervals. Reconciliation of E911 databases in Michigan has been completed, and additional 911 performance reporting will be provided. Ameritech's next application will demonstrate its ability to implement long-term number portability on schedule; subject only to obtaining regulatory authority to offer the service and obtain cost recovery. Finally, the concerns regarding intraLATA toll resale will be addressed in our next application.

**September 3, 1998 Update**

- *Ameritech believes that all of the above operational issues have been resolved.*
- *The issue of whether dial-up connections over the public switched telephone network to obtain access to the Internet constitutes an interstate access service is still pending before the Commission and needs to be resolved. See Ameritech comments in BellSouth Louisiana II, CC Docket 98-121 and in CCB/CPD Docket 97-30.*

**Other Checklist Issues.** In contrast to these very significant checklist accomplishments and resolutions, a number of competitive checklist items still require Commission clarification or reconsideration. These items include: the meaning of "nondiscriminatory" access to OSS, pricing of checklist items, unbundled local transport, unbundled local switching and combinations of network elements. Ameritech's concerns with these items are detailed in the body of this paper and summarized below:

**September 3, 1998 Update**

*Ameritech believes that the issues associated with OSS, performance measures and pricing of checklist items identified by the Commission have been resolved. An issue associated with unbundled local switching ("originating carrier pays") is pending before the Commission. Issues associated with shared transport and other combinations of network elements (i.e. "network platforms") are still not resolved, and are pending in the courts.*

1. **Operational Support Systems.** Ameritech agrees that nondiscriminatory access to OSS is necessary for a successful 271 application. However, Ameritech believes that the Commission's discussion of nondiscriminatory access in the Michigan 271 Order is internally inconsistent, and contrary to the statutory standard. The Commission should clarify that "equivalent access" or "nondiscriminatory access" for network elements, including OSS, and for resold services, is defined as "substantially the same time and manner as the ILEC provides for itself." Nondiscriminatory access cannot be defined as "equal" for these elements or services. This is not the statutory standard and it is a standard that is technically infeasible for an ILEC to ever meet. The Commission's South Carolina 271 Order correctly defines nondiscriminatory access as "substantially the same time and manner," not as "equal" to itself. In addition, there is no retail comparison for many of the OSS pre-ordering and ordering functions. For example, Ameritech does not provide a "firm order confirmation" to itself; the system either accepts or rejects the order. Finally, as the Commission has requested, Ameritech will provide updated evidence regarding its manual and electronic OSS capacities. However, Ameritech is concerned that the Commission has been far too negative regarding business decisions to use manual processing for certain services or processes.

#### **September 3, 1998 Update**

*Ameritech is currently furnishing access to its operational support systems to over 50 carriers in its five states.*

*Ameritech believes it has resolved OSS issues previously identified by the Commission. The primary improvements have come as a result of three factors:*

- *Increased use of electronic interfaces by both Ameritech and competing carriers*
- *Additional carrier experience with the use of OSS services provided by Ameritech*
- *New documentation, via a website, and procedures for ordering and using OSS*

*The Commission appears to have reaffirmed the position it took in the South Carolina 271 Order that "nondiscriminatory access" to a BOC's OSS means "within substantially the same time and manner in which the BOC provides the service to itself." Louisiana 271 Order at ¶ 21 and 24.*

2. **Performance Measures.** As a result of the Commission's Order, Ameritech is evaluating additional potential performance measurements. However, Ameritech is concerned that the Commission has shown little regard for the practical consequences of adding

additional performance measurements, in particular, those measurements that did not exist or were not previously used for Ameritech's retail operation. Ameritech plans to propose that some of the additional measurements identified by the Commission or included in the prior application are not required or have been rendered redundant by other measurements.

**September 3, 1998 Update**

*Ameritech has provided extensive comments to the Commission in conjunction with its Notice of Proposed Rulemaking on Performance Measures in CC Docket 98-56. See June 1, 1998 comments and July 6, 1998 reply comments. As described in these filings, Ameritech believes there are approximately 100 different measurements that are relevant to demonstrating both performance quality and parity. These measures cover the following categories of services:*

- *Pre-ordering and ordering processes and cycle time*
- *Reliability and availability of OSS*
- *Resale performance*
- *Unbundled network element performance*

*Ameritech tracks its performance in each category on an individual carrier basis and makes industry average data, as applicable, available to each carrier in written reports that are discussed at service management meetings held on a regular basis. Parity comparisons with retail equivalents, where appropriate, are also provided to carriers.*

*Ameritech is also in the process of working with state Commissions to develop and define comprehensive performance plans, which would include agreement on appropriate performance measurements, calculations of such measurements, standards for performance, and consequences of breach of such performance standards.*

3. **Pricing of Checklist Items.** As the Commission recognized, the State commissions in Ameritech's region have applied the pricing principles in Section 252 in a manner consistent with the FCC's views. Ameritech believes that these pricing determinations are determinative for checklist compliance. An applicant should not be forced to meet two separate, and potentially conflicting, pricing standards for the same element or service. That being said, Ameritech notes that neither the Commission nor the Department of Justice raised any substantive objections to Ameritech's prices in their review of Ameritech's Michigan 271 application. Ameritech believes that the prices in its states would clearly satisfy any Commission review that might be applied in the context of a 271 application.

**September 3, 1998 Update**

*There have been no significant changes in direction in connection with state Commission pricing decisions within the Ameritech region.*



*Earlier this year, the Eighth Circuit reaffirmed its interpretation of the 1996 Act that state Commissions have the "exclusive authority" to determine and implement pricing requirements of Section 252(d). In that regard, the Eighth Circuit issued a Writ of Mandamus and ordered the Commission "to confine its pricing role under Section 271(d)(3)(A) to determining whether applicant BOCs have complied with the pricing methodology and rules adopted by the state Commission . . . ." 135 F. 3d at 543. The Commission has sought review of the Eighth Circuit's Writ of Mandamus in the Supreme Court.*

4. **Unbundled Local Transport.** As the Commission is aware, Ameritech has appealed its Shared Transport Order. Pending a final outcome, Ameritech is not aware of any way to implement the Shared Transport Order in a manner consistent with the Eighth Circuit's Order on Rehearing, which vacated Rule 51.315(b).

Regardless of the outcome of the Shared Transport appeal, the Commission needs to address the obligations associated with a requesting carrier providing service using unbundled network elements that seeks to interconnect with a third-party, facilities-based local exchange carrier. The end office interconnection trunks used by the incumbent LEC and such third-party carriers are not network elements. Therefore, requesting carriers will be required to negotiate and obtain their own end office interconnection arrangements. As an interim, short-term measure, other potential options, including "transiting" and indirect interconnection, may need to be considered.

#### **September 3, 1998 Update**

*On August 10, 1998, the Eighth Circuit affirmed the Commission's Shared Transport Order. In the August 10 decision, the Court reaffirmed its prior ruling that the 1996 Act prohibits the Commission from requiring "incumbents LECs to make available pre-combined packages of already assembled network elements (i.e., platforms)." Slip Op. 19. At the same time, the Court affirmed the Third Order on Reconsideration, apparently on the premise that the Shared Transport Order only requires incumbent LECs to provide shared transport on a "unbundled" basis in a manner that permits the requesting carrier to combine shared transport with switching, as required by Section 251(c)(3). The Court's decision overlooks a critical point raised in the petitions for review: incumbent LECs cannot provide "shared transport" on a "unbundled" basis. The reason for this is simple: the functionality of "shared transport" is provided only by the pre-assembled platform of multiple network elements – transport, local switching and tandem switching. Because the Court's August 10 decision appears to overlook this undisputed fact and, as a result, is inconsistent with Iowa Utilities Board, Ameritech will file a petition for rehearing. Petitions are due on or before September 24, 1998.*

*In the event the August 10 opinion is not modified, it is not obvious to Ameritech how it would be possible or technically feasible to provide "shared transport" unbundled from switching (i.e., physically separated in a manner that allows a requesting carrier to combine). As the Commission seems to agree, such unbundling would result in service disruptions.*

*If the August 10 Order becomes final, the definitional issues regarding dedicated trunks and interconnection trunks identified by Ameritech will also need to be resolved.*

5. **Unbundled Local Switching.** Ameritech's position on "shared trunk ports" and access to the "same" routing instructions used to route Ameritech's traffic should be resolved by the pending Shared Transport appeal.

Again, regardless of the Shared Transport appeal, the Commission should reconsider its position that the purchaser of unbundled local switching line cards is entitled to "exclusive" use of all switching functionality for that end user. This position is operationally incorrect, prohibitively expensive to implement and inconsistent with the Commission's own procompetitive rules and policies. If the Commission reconsiders this narrow issue, significant price arbitrage and extensive network recording costs would be eliminated, and there would be no need to develop the "factor-based" approach discussed above.

#### **September 3, 1998 Update**

*On March 2, 1998, Ameritech filed a written ex parte in Docket 96-98 regarding an issue it has referred to as "originating carrier pays." In the ex parte, Ameritech sets forth its concerns that the "exclusive use" language pertaining to switching functionality in the First Order on Reconsideration is inconsistent with Section 51.319(c) of the Commission's rules. Ameritech urges the Commission to clarify that the purchaser of a line port obtains use of the switching functionality but not exclusive use, and that the purchaser of a trunk port also obtains the right to use shared switching functionality to enable it to complete trunk to line calls for its local exchange carriers. In addition where both originating and terminating carriers claim use of shared switched fabric, the originating carrier should be charged for the shared switching functionality.*

6. **Combinations of Network Elements.** The provision of existing, preassembled combinations of network elements, including the so-called UNE Platform, at cost-based rates is no longer required. Therefore, Ameritech will demonstrate in its next application that a requesting carrier can obtain access to unbundled network elements in a manner that allows the requesting carrier to combine such elements, in an end-to-end fashion, to provide telecommunications services. In making this showing, Ameritech will be guided by the Commission's discussion in its South Carolina 271 Order. However, this area contains many unanswered questions and policy determinations, which need to be worked through. Until the pending appeals before the U.S. Supreme Court and the Eighth Circuit Court of Appeals become final and non-appealable, Ameritech will comply with the "combination" requirements in its approved interconnection agreements.

#### **September 3, 1998 Update**

*The Commission appealed the Eighth Circuit's decision to vacate Rule 315(b). Briefing has been completed and oral argument is scheduled for October 13, 1998. Therefore, the fundamental issue of whether existing combinations or the so-called network platform, can be*

*required consistent with the 1996 Act should be resolved by the Supreme Court some time next year.*

*Assuming the Eighth Circuit's decision is affirmed by the Supreme Court, Ameritech has demonstrated that collocation, in addition to being the only authorized method, is a reasonable method to access and combine unbundled network elements at the incumbent's premises. Collocation is a proven and tested procedure, it maximizes network reliability and security for all carriers, and administratively it facilitates a clear division of responsibility among multiple network providers located at a single location. See Ameritech's June 4, 1998 position paper on this issue filed with the Common Carrier Bureau and Ameritech's comments and reply comments in BellSouth's second application for Louisiana, Docket 98-121.*

### **III. Section 272 Requirements**

Ameritech has addressed all of the concerns noted by the Commission: Ameritech created a Board of Directors for ACI; it will post "actual rates" for all functions provided to or received from BOC affiliates; and all transactions between February 8, 1996 and May 12, 1996 will be available for inspection. Ameritech is concerned, however, that despite the specific directive regarding Section 272 compliance, the Michigan 271 Order disclaims to be a "roadmap." If the Commission is aware of additional 272 concerns, they should be disclosed.

#### **September 3, 1998 Update**

*Ameritech believes there are no outstanding issues associated with Section 272 requirements.*

### **IV. Public Interest**

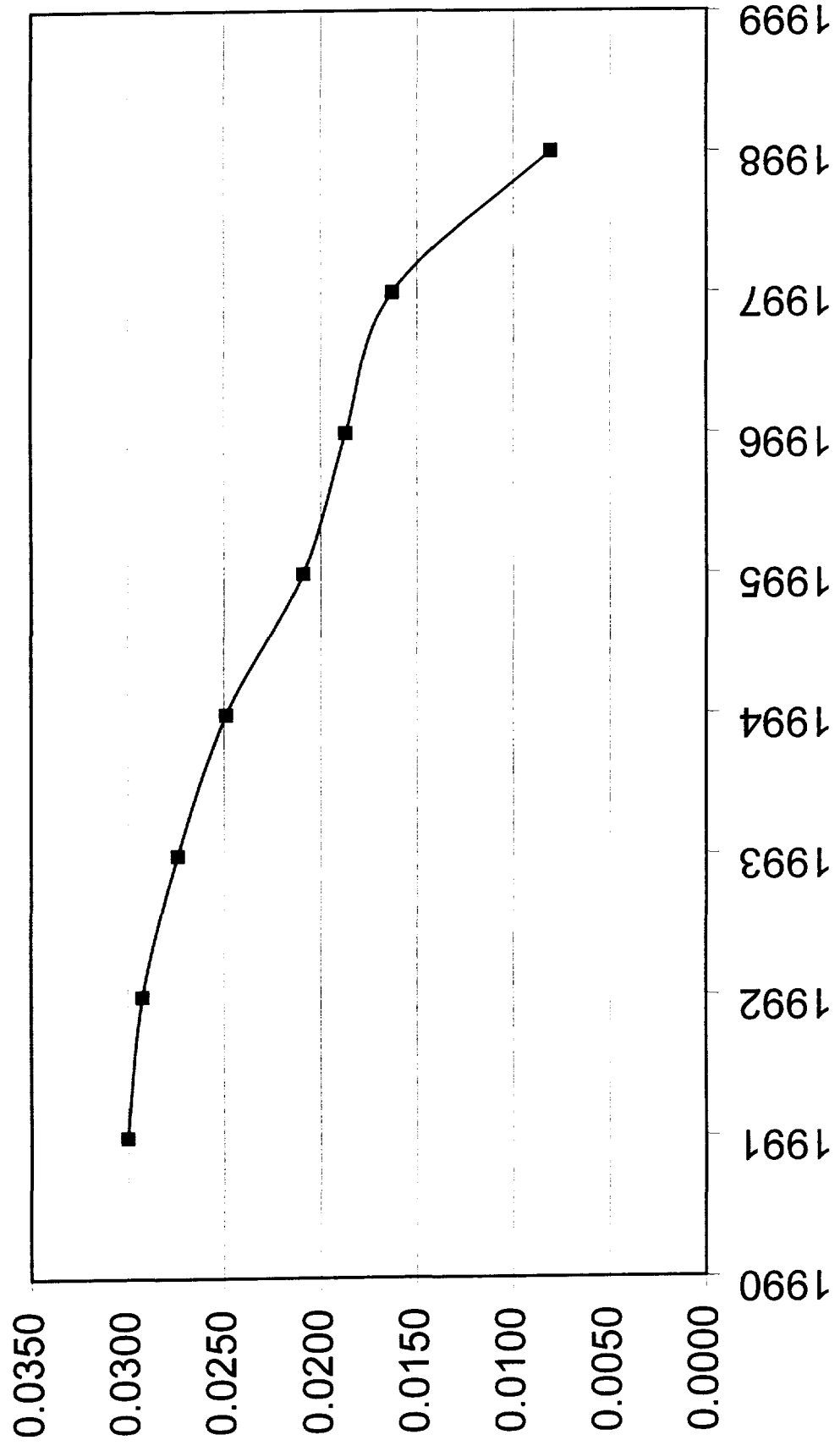
Ameritech is concerned with some of the specific "illustrative" factors described in the Michigan 271 Order. Clearly, the public interest standard should not be used to create new and changing hurdles or requirements; nor should the already complex 271 process be converted into an omnibus complaint docket, overriding standard State commission or FCC forums and procedures. Rather, the focus of the public interest inquiry should be on the benefits customers will be afforded when a Section 271 application is granted.

#### **September 3, 1998 Update**

*Ameritech's position regarding the appropriate standard for implementing the public interest requirement of Section 271 is described in its comments filed on September 1, 1998 in CCB-Pol No. 98-4.*

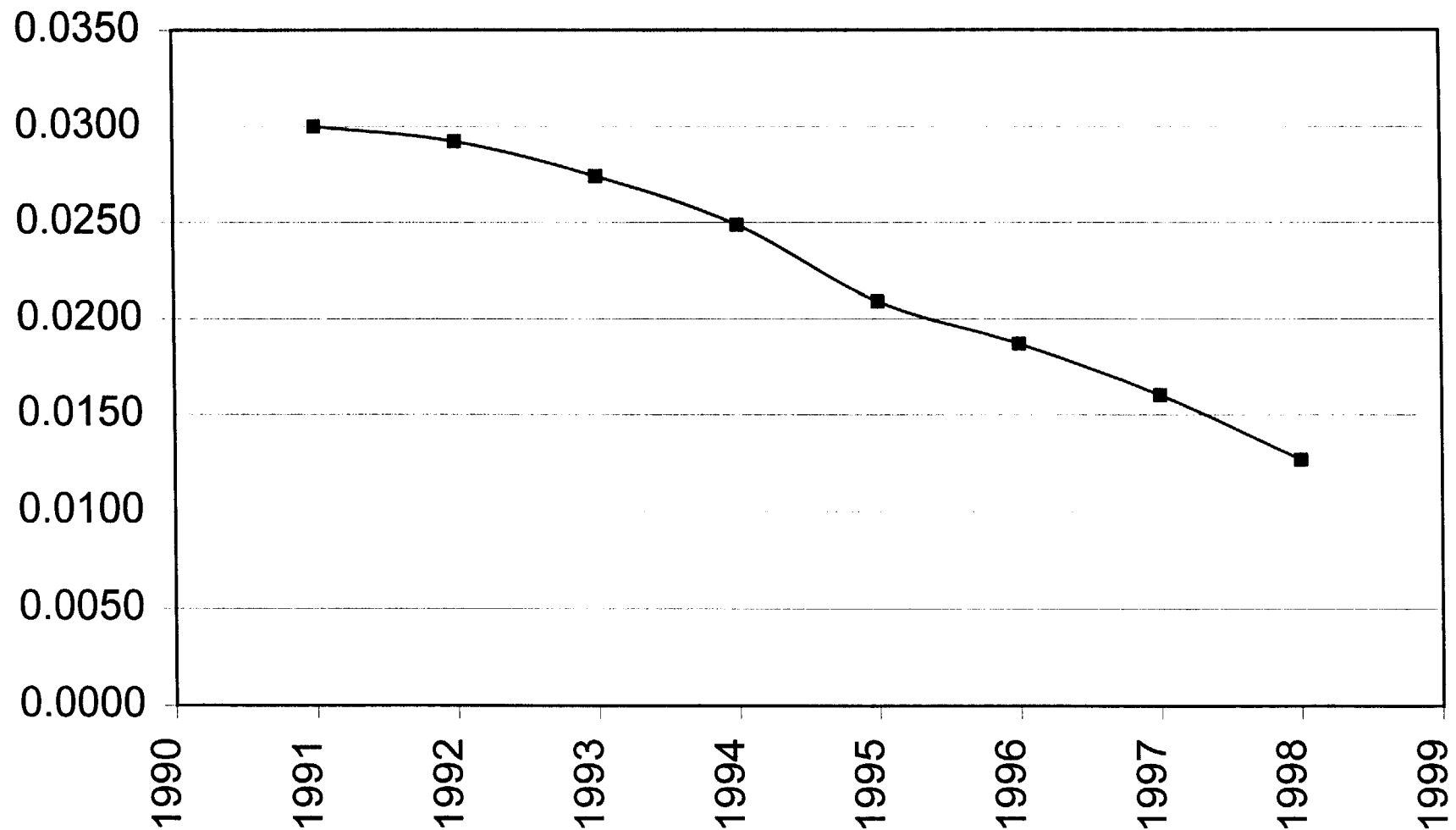
# **Attachment I**

# Ameritech Switched Access Rate History (1) 1991-1998 Annual Filings



1998 rate does not include PICC

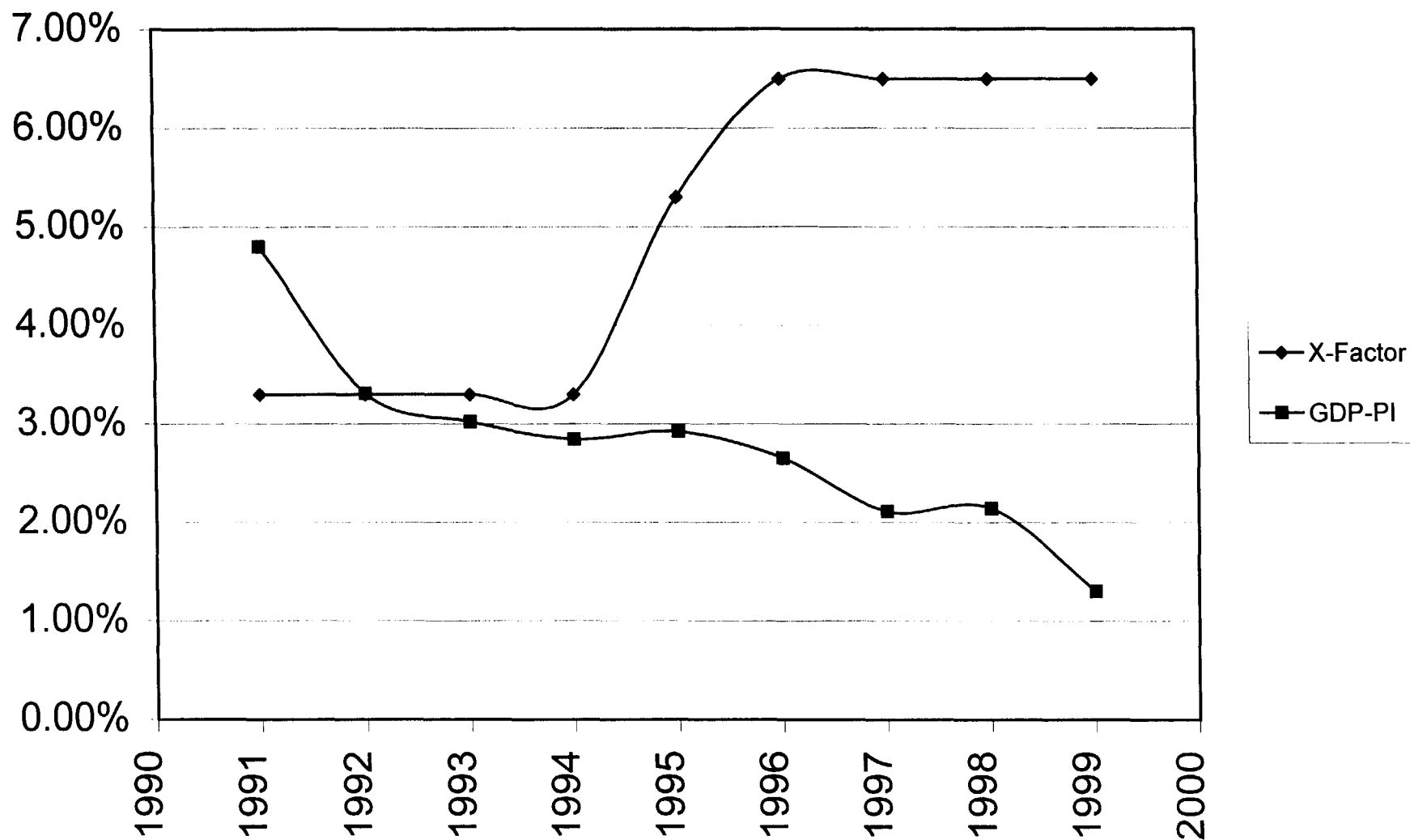
## Ameritech Switched Access Rate History (2) 1991-1998 Annual Filings



1998 rate includes PICC

# **Attachment J**

## Productivity Factor vs Fixed Weight Inflation Rate

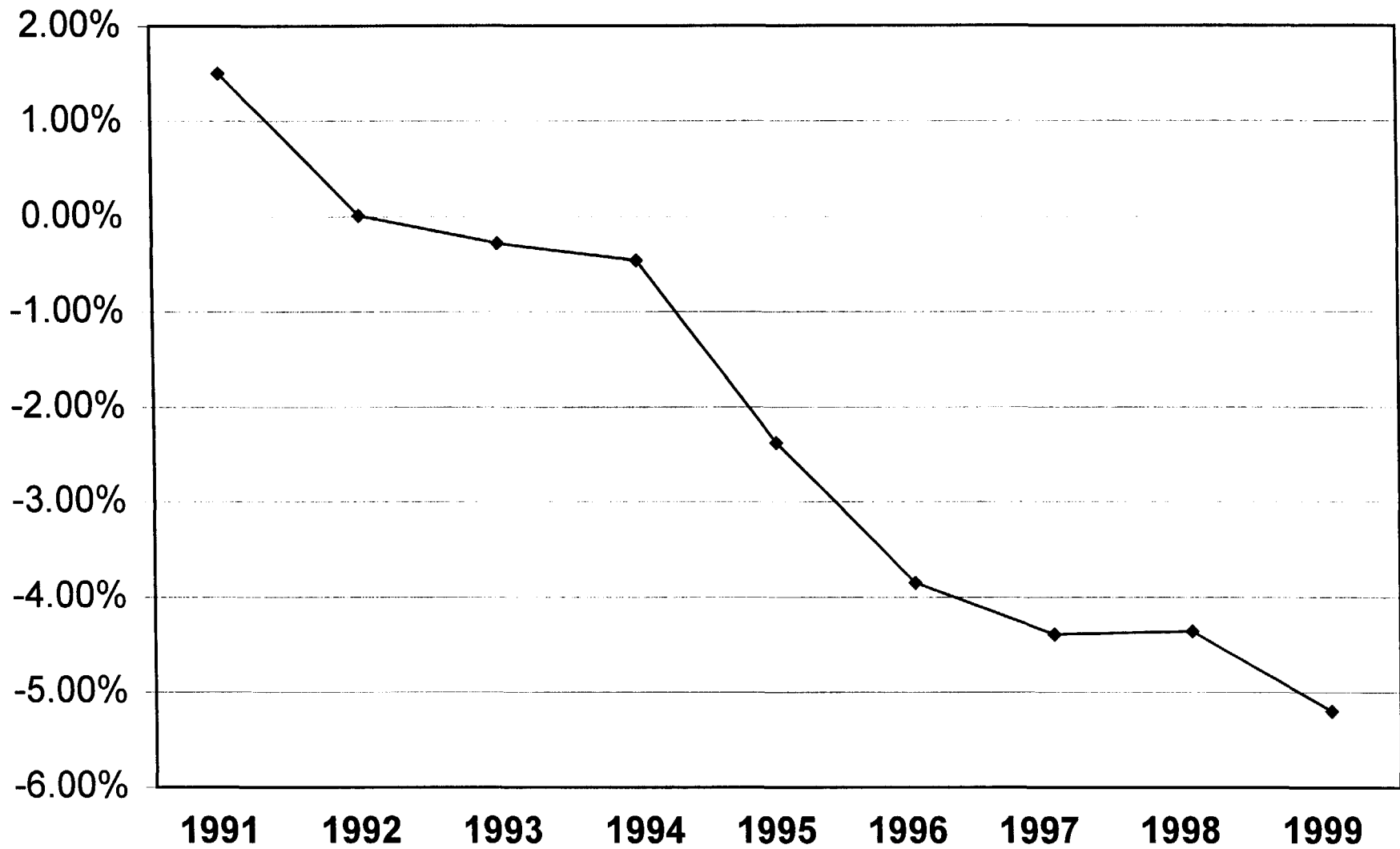


1999 GDP-PI based on 2Q98 GDP-PI



# **Attachment K**

## Net Index Change due to Inflation Less X-Factor



# **Attachment L**

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the complaint of  
AT&T Communications of Michigan,  
INC. against Ameritech Michigan  
seeking resolution of a dispute  
between telecommunications  
providers.

---

Case No. U-11660

Proceedings had in the above-entitled  
matter before James N. Rigas, J.D., Administrative Law  
Judge, at the Michigan Public Service Commission, 6545  
Mercantile Way, Lansing, Michigan.

SESSION OF WEDNESDAY, AUGUST 19, 1998

VOLUME 6

- - -

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## I N D E X

<u>WITNESS</u>	<u>EXAMINER</u>	<u>TYPE</u>	<u>PAGE</u>
Cathleen M. Conway	Marsh	Direct	265
	Dempsey	Cross	355
	Gadaleta	Cross	377
	Marsh	Redirect	379
Jerry W. Finefrock	Farner	Direct	389
	Anderson	Cross	432
	Farner	Redirect	470
<u>Dennis L. Ricca</u>	Denniston	Direct	477
	Anderson	Cross	635
	Denniston	Redirect	661
	Anderson	Recross	662
Gary Lee Pace	Ralls	Direct	664
	Anderson	Cross	701
Mark A. Hall	Lauridsen	Direct	717
	Dempsey	Cross	736
Fred A. Miri	Anderson	Direct	749
	Rosier	Cross	768
	LeVasseur	Cross	790
	Farner	Cross	792
	Anderson	Redirect	793
	LeVasseur	Recross	794
	Farner	Recross	795

Ricca - Direct - Denniston

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1 D E N N I S L. R I C C A

2 was called as a witness on behalf of MCI  
3 Telecommunications Corporation and, being first duly sworn  
4 by the Reporter/Notary Public, testified as follows:

5 JUDGE RIGAS: All right, we're prepared to  
6 proceed here. We'll go back on the record.

7 Mr. Denniston.

8 MR. DENNISTON: Sure.

9 JUDGE RIGAS: Your witness has been sworn.

10 MR. DENNISTON: Thank you.

11 - - -

12 DIRECT EXAMINATION

13 BY MR. DENNISTON:

14 Q Could you state your name, please.

15 A My name is Dennis L. Ricca.

16 Q And by whom are you employed?

17 A I'm employed by MCI Telecommunications Corporation.

18 Q What are your duties and responsibilities?

19 A I'm a Senior Regulatory Analyst. My duties include  
20 analyzing and preparing testimony and comments for MCI  
21 before the state public utility commissions in the  
22 Ameritech and, on an occasional basis, in Bell Atlantic  
23 regions.

24 Q For purposes of the hearing today did you prepare or cause  
25 to be prepared under your direction certain testimony?

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Ricca - Cross - Anderson

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1 Q Has MCI made any specific toll rate reductions to reflect  
2 the switched-access minute-of-use rate reductions that  
3 have occurred in July '97, January '98 and July '98?

4 A Let me break that into the three parts that you gave me.

5 As for the July 1997 decreases in switched  
6 access, my belief is that our rates have correspondingly  
7 gone down by more than the amount of the reduction in the  
8 switched access.

9 As for the January 1st filing, our rates  
10 probably went down despite the fact that there was little  
11 or no reduction in our overall access that we paid because  
12 we did not flow through the PICC as a line item on an  
13 intrastate basis in Michigan.

14 I believe that for the July 1, 1998  
15 filing, that you will see over the course of the year that  
16 our rates will go down more than the reduction in access  
17 charges that we realized. Again you have to look at  
18 average rates. You can't look at specific rates on a  
19 schedule, on any given schedule, but overall our average  
20 rate per minute I think is going to exceed -- our  
21 reduction is going to exceed the amount of access  
22 reduction that was received on that date.

23 Q And now I think you said that your average rate, in your  
24 view -- think you said your belief was with regard to the  
25 July '97 access reduction, that it was passed through.

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Ricca - Cross - Anderson

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1 But that was on an average basis, it wasn't, as I asked, a  
2 specific rate reduction that was keyed to access rate  
3 minute of use went down X so your rates went down X.

4 A No, that's not the way the market works, Mr. Anderson, and  
5 if you think that because we get a reduction, that we  
6 gladly flow that through to the consumers because we're  
7 good guys, that's not the case. We hold onto every penny  
8 that we can.

9 It's not our choice to flow that through.  
10 That's the market at work, and the market does a far more  
11 effective job than any regulatory order could possibly do,  
12 and it does it on a two-for-one basis, and any studies  
13 that I've seen, whether by the FCC, by Robert Hall, who I  
14 think did seminal work in this area, show that the  
15 reductions by the interexchange carriers have exceeded the  
16 reduction in access charges by about a hundred percent.

17 Q That's the basis of your two-for-one?

18 A Yes, sir.

19 Q Does MCI charge the same toll rates in Michigan as it  
20 charges in the other Ameritech states?

21 A We charge what we can get by with in the market and what  
22 the competition demands. I'd be surprised if our access  
23 rates in Michigan are the same as any other state, except  
24 maybe one where we have similar access charge structures  
25 and levels.

Ricca - Cross - Anderson

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1 Q You said you'd be surprised if your access rates. I think  
2 you meant toll rates?

3 A I meant our toll rates, that's correct.

4 Q Does MCI charge the same rates in Michigan for its various  
5 tariffed offerings and plans as it does in, say, Ohio?

6 A I doubt it.

7 Q Has MCI prepared any analysis of, in Michigan, how these  
8 intrastate access rate reductions have been recognized in  
9 your toll rates?

10 A Not for the three dates that you asked me about. I don't  
11 think there's an analysis that's been prepared. I'm aware  
12 of the analysis having demonstrated a flowthrough of the  
13 carrier common line surcharge elimination at the end of  
14 1995. We were given one year to show that we had flowed  
15 that through in our rates and we made that demonstration  
16 to the Commission.

17 Q To the Michigan commission?

18 A Yes, sir.

19 Q Were you involved in the demonstration that was made to  
20 the Ohio commission recently?

21 MR. DENNISTON: Objection, your Honor.  
22 Again we're with Michigan here, not Ohio.

23 MR. ANDERSON: Your Honor, we've been  
24 arguing that from Day 1 but it's fallen on deaf ears.  
25 We've gotten in a raft of issues about Ohio.

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Ricca - Cross - Anderson

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1 MR. DENNISTON: We're talking about MCI's  
2 toll rates.

3 JUDGE RIGAS: I'll allow this question.  
4 Do you recall the question, Mr. Ricca?

5 A Yes, I do.

6 JUDGE RIGAS: All right.

7 A I was not involved in the Ohio demonstration.

8 Q (By Mr. Anderson) Do you know how it was conducted?

9 MR. DENNISTON: Objection, your Honor.  
10 There is no foundation. He already said he was not  
11 involved in it.

12 JUDGE RIGAS: I'll allow the question. If  
13 he knows.

14 A I'm generally aware of how that's done. I'm not familiar  
15 with the specifics.

16 Q (By Mr. Anderson) And I take it from your answer, then,  
17 that a similar demonstration has not been prepared for  
18 Michigan?

19 A That's correct.

20 Q Isn't it true that MCI intrastate Michigan access bills  
21 decreased by double digits percentages on July 1, '98?

22 A I think that's true.

23 Q Now, my understanding from your testimony is you oppose  
24 staff's proposal to require IXCs such as MCI to pass  
25 through PIC reduction, if any were to occur in this case,

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Ricca - Cross - Anderson

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1 to end users. How would you pass through to end users any  
2 reductions which may be ordered in this case?

3 A I think I indicated earlier we're going to hold onto every  
4 penny that we can, but I think the market will force  
5 flowthrough, and I think it will force the flowthrough in  
6 the per-minute rates that we charge. And I think I  
7 indicated in my rebuttal testimony that, first of all,  
8 there's no reason to make a prescriptive determination  
9 that it has to be flowed through, but second, if you have  
10 companies like AT&T who are saying they're committed to  
11 flowing it through, I can tell you that MCI historically  
12 has prided itself on pricing below AT&T. So that if AT&T  
13 makes a change in its rates that flows through any  
14 reduction, there will be a competitive response from MCI.  
15 That's the market at work, and I can't tell you what form  
16 that's going to take. I don't know what form AT&T's  
17 flowthrough is going to take. I don't know that AT&T  
18 right now could tell you what form it's going to take. I  
19 think the market will dictate that. But when it happens,  
20 I'm confident, based on 1983 through 1997, I believe  
21 studies that have shown consistently over that 14-year  
22 period that toll rates have been reduced twice as much as  
23 the access charge rate per minutes have been reduced.

24 Q Isn't it true, Mr. Ricca, that the FCC, and particularly  
25 Chairman Kenard, has expressed serious concern about

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# **Attachment M**

## Ameritech's Market Based Approach to Access Pricing Flexibility

### Criteria for Evaluating Competitive Markets

<b>Services</b>	<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>
<b>Transport Services*</b>	100 DS1 equivalent cross connections	Competitors have the ability to offer service to 25% of market**	Competitors have the ability to offer service to 75% of market**
<b>Switched Access</b>	Negotiated or State approved agreements or SGATS for: UNEs, transport and terminating compensation, resale	Competitors have the ability to offer service to 25% of market**	Competitors have the ability to offer service to 75% of market**
<b>Price Cap X Factor</b>	Achieve Phase I criteria for Transport and Switched Access	Achieve Phase II criteria for Transport and Switched Access	Achieve Phase II criteria for Transport and Switched Access
<b>Interexchange (IntraLATA)</b>	When 10-10XXX is available	When 10-10XXX is available	When IntraLATA presubscription is available
<b>Directory Assistance*</b>	Alternative provider offers service	Alternative provider offers service	Alternative provider offers service

\*Hi Cap Transport in certain pre-defined areas can be removed from Price Cap regulation immediately. Similarly, Directory Assistance should be immediately removed from Price Cap regulation

\*\*Measured on the basis of DS1 Equivalents (Transport) or Interstate Local Switching MOU (Switched Access) addressable by competitors via collocation in Ameritech's wire centers

## Ameritech's Market Based Approach to Access Pricing Flexibility

### Proposed Regulatory Relief\*

<b>Services</b>	<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>
<b>Transport Services</b>	(1)Geographic deaveraging under zone rate structure (2) Volume/term, contract/RFP pricing (3)New services not subject to Part 69 public interest test and cost support (4)SBI increased to 10% per year	(1)Geographic deaveraging without zone rate structure or cost support (2) Bundled services packaging, growth, LATA specific pricing, greater promotional offerings (3) simplification of price cap bands and baskets	Services removed from Price Cap regulation
<b>Switched Access</b>	(1)Geographic deaveraging under zone rate structure (2)Volume/term, contract/RFP pricing (3) New services not subject to Part 69 public interest test and cost support (4)SBI increased to 10% per year	(1)Geographic deaveraging without zone rate structure or cost support (2)Bundled service packaging, growth pricing (3) simplification of price cap bands and baskets	Services removed from Price Cap regulation
<b>Price Cap X factor (weighted X factor to be calculated based on services revenues within phases of flexibility)</b>	Elimination of CPD in X factor from 6.5% to 6.0% for those specific service revenues	Elimination of the X factor from Price Cap calculation for pre-defined LATA area service revenues	X factor no longer applies to specific service revenues
<b>Interexchange (IntraLATA)</b>	Same Transport and Switched Access Phase I relief above	Same Transport and Switched Access Phase II relief above	Services removed from Price Cap
<b>Directory Assistance</b>	Services removed from Price Cap	Services removed from Price Cap	Services removed from Price Cap

\*Petition to be filed and acted upon within 90 days by the Common Carrier Bureau



# Attachment N

## **Ameritech's Market Based Approach to Access Pricing**

### **A Market Based Approach to Interstate Access Pricing Ameritech's Proposal**

10/26/98

# Ameritech's Market Based Approach to Access Pricing

## Introduction

The Telecommunications Act of 1996 (the "Act") was a major step toward creating a competitive, deregulated telecommunications market in the United States. Although, recent FCC Orders in the Local Competition Docket 96-98, the Universal Service Docket 96-45 and the Access Reform Docket 96-262 involved significant implementation efforts that moved the United States telecommunications industry toward the competitive marketplace goals of the Act, more competitively-focused changes are still needed. In particular, to enable the marketplace to operate free of regulatory distortions, reduced regulation of ILECs is needed where interstate access is subject to significant competition.

In the Access Reform Order (the Order) released on May 16, 1997, the Commission stated that:

In a subsequent order in the present docket, we will provide detailed rules for implementing the market-based approach that we adopt in today's Order. That process will give carriers progressively greater flexibility in setting rates as competition develops, gradually replacing regulation with competition as the primary means of setting prices and facilitating investment decisions.<sup>1</sup>

More recently, the Commission released a Public Notice asking that the record be updated and seeking comments on Ameritech's and Bell Atlantic's pricing flexibility proposals. In its proposal, Ameritech urges the Commission to quickly adopt an order that addresses pricing flexibility for interstate services. There are a number of services and markets where significant competition has developed, yet the ILECs services remain constrained by regulations that were designed to restrain a monopoly.

In this paper, Ameritech explains in more detail the access reform proposal it submitted in its June 5, 1998, ex parte in Docket 96-262<sup>2</sup>, that specified how the Commission could introduce and implement ILEC pricing flexibility for access services. The primary focus of this document is to explain Ameritech's proposal which, if adopted by the Commission, would transition ILEC access services out from price cap regulation commensurate with the growth of competition on the marketplace.

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<sup>1</sup> Access Charge Reform, CC Docket No. 96-262, First Report and Order, FCC 97-158 (adopted May 7, 1997) at ¶14.

<sup>2</sup> Ameritech initially introduced a revised Access Reform pricing flexibility plan ex parte on April 9, 1998. In addition, ex parte other ex partes supporting the proposal were filed on June, 5, 1998, September 14, 1998 and October 14, 1998.

## Ameritech's Market Based Approach to Access Pricing

### Services that Face Substantial Competition Should Be Immediately Removed from Price Cap Regulation

It is important for the Commission to clearly keep in mind when regulation is necessary and when it acts as a hindrance to the growth of a healthy competitive marketplace. Regulations are necessary only when a given market for a given service is not competitive. In a non-competitive market, the provider of a service has no natural constraints on its ability to extract profits from the purchasers of its services. However, when competitive alternatives exist in the market, prices are naturally constrained. Whenever and wherever prices are set too high, another provider will offer service at a lower rate. This competitive lowering of prices will go on, in theory, until prices are set at marginal cost of the least efficient competitor capable of remaining in business.

A number of ILEC-provided access services (transport, directory assistance, etc.) are facing substantial competition today. However, regulatory constraints prohibit ILECs from responding quickly or responding at all to competitors' pricing actions. This only deprives customers the benefit of full price competition.

Using the Phase III criteria proposed in Ameritech's plan, a number of ILEC-provided services should be considered ready to be removed from price cap regulation. The Commission should acknowledge that there are currently services that are ripe for immediate relief and adopt the Ameritech proposed framework so the ILECs can expeditiously respond to market conditions and bring customers the benefits of full competition.

The following subjects should be addressed in the Commission's road map for Phase III relief.

#### (A) The Market

In order to determine the geographic area<sup>3</sup> that is appropriate for full regulatory relief, the Commission will need to utilize its limited resources in an efficient manner and carefully balance the administrative problems if the area being considered for relief is too small with the reality of how competition is developing. Ameritech proposes that regulation should cease for competitive services on a self defined market area basis. Ameritech believes that the defined area should be no smaller than a LATA. Limiting the relief to areas no smaller than a LATA would decrease the administrative burden of seeking and granting relief on the ILEC and the Commission respectively. However, allowing the ILEC to self-define the market area will result

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<sup>3</sup> Ameritech's June 5, 1998 pricing flexibility proposal defines the geographic area to be no smaller than a LATA. However, Ameritech can support a market area definition, such as in the USTA proposal, that allows ILECs to choose between LATA wide relief and relief for geographic areas smaller than a LATA. Also, in Ameritech's June 5 ex parte, Ameritech suggested possible modification to its proposal if there are concerns that states with only one or two LATAs might obtain pricing flexibilities prematurely.

## Ameritech's Market Based Approach to Access Pricing

in relief being granted for areas that match the development of competition. In addition, the ILEC should be allowed to file multiple market areas in a single filing.

### (B) Services

Ameritech's proposed framework reflects the fact that the Commission should consider granting regulatory relief under four distinct categories of access services. These categories are Transport Services, Switched Access, Interexchange (IntraLATA) and Directory Assistance.

Transport services would include all high capacity special access and switched transport services (direct trunked and tandem), as well as all analog transport services. Any competitive provider of one of these transport services that has purchased cross connection service would already have the capability to provide all transport services therefore, there is no need to further disaggregate transport.

Switched Access includes all of the access services the ILEC offers on a per minute of use basis, as well as trunk ports, EUCL and PCCC rate elements.

Interexchange and Directory Assistance should be viewed as separate categories because of the unique aspects of the services and the way in which competition is and will develop for these services.

### (C) Competitive Criteria and Process

Ameritech proposes that an ILEC would file a request to remove a specific transport or switched access service from price cap regulation for a specific area. The request would detail the services and areas as well as a showing that 75% of the ILEC's demand for those services can be served by competitors through existing operational collocation arrangements. For transport access services this criteria would be met by measuring on the basis of DS1 equivalents and for switched access services by measuring interstate local minutes of use addressable by competitors via operational collocation in Ameritech's wire centers. These criteria go beyond addressability in demonstrating competition because it is unlikely that competitors would collocate without the clear intention to compete.

Phase III relief should be available for interexchange services when intraLATA presubscription is available and for directory assistance service when another provider is present in the marketplace.

All of the competitive criteria discussed above should be more than sufficient for granting Phase III relief. However, if the Commission so requests, additional information to support the request would be provided. Each request should be put out for comment on a short cycle and the request should automatically go into effect after 90 days of the filing date unless the Commission rejects it. A predefined, non-flexible approval cycle is absolutely necessary to reduce the level of uncertainty in the business planning process.

## Ameritech's Market Based Approach to Access Pricing

### (D) Immediate Relief Needed for Specific Services

As noted above, there are a number of services for which a pricing flexibility framework that allows for expeditious and immediate relief is needed. These services currently face substantial competition and delay in achieving regulatory relief for these services distorts the market by precluding ILECs from responding to competition. This delay, caused by regulation, harms the customer by precluding it from realizing the full benefits of a competitive market. These services are:

Transport Services - Grand Rapids, Detroit, Chicago, Milwaukee, Indianapolis, Columbus and Cleveland Areas

In the Ameritech region, competitive transport services have been available in seven areas (Chicago, Cleveland, Columbus, Detroit, Grand Rapids, Indianapolis and Milwaukee) for over three years. In the first quarter of 1998, competitive access providers (CAPs) have 44% of the market in these seven market areas. Ameritech has fully utilized the limited pricing flexibility the FCC has granted to date by offering transport services at geographically deaveraged rates and offering volume and term price plans. However, this is not enough. Competitors respond with bids that cannot be met with generally tariffed rates. These services must be removed from price cap regulation immediately because the market in these seven areas is undeniably substantially competitive. Attachments A through H of Ameritech's comments further detail the extent of competition in Ameritech's region for access services.

### Directory Assistance - All LATAs

The Commission should immediately remove Directory Assistance services from price cap regulation. This relief should be granted in all areas. Directory Assistance is a fully competitive product offering in all markets. In Ameritech's region alone, Excell Agent Services, TelTrust, Rochester Telephone, GTE, and Metro One provide alternatives to Ameritech's directory assistance product line. Alternate interstate directory assistance companies have increased their share of the market from 30% to over 60% in the past two years. This story is not unique to Ameritech. Therefore the Commission must immediately remove interstate directory assistance from price cap regulation in order for the price cap LECs to respond appropriately in the competitive long distance directory assistance market.

### Interstate IntraLATA Services

Relief for interstate intraLATA service should be granted by the Commission as soon as intraLATA toll dialing parity becomes effective for interstate intraLATA services. At that time, no credible argument can be made that ILECs have any monopoly position with respect to these services. Given the number of providers of service, as soon as this ability is available the market should be viewed as fully competitive and all price cap and general tariff requirements eliminated.

## Ameritech's Market Based Approach to Access Pricing

### Services that Don't yet Meet the Substantial Competition Criteria Should Receive Regulatory Relief Under Phase I and Phase II Dependent upon Market Conditions

Ameritech proposes that the Commission phase out regulatory constraints as the Commission proposed in its Access Reform Notice of Proposed Rulemaking (NPRM)<sup>4</sup>. In the NPRM, the Commission stated:

We would implement regulatory reforms as incumbent LECs demonstrate that their local markets have achieved pre-defined, specific transition points, or 'competitive criteria.'<sup>5</sup>

In particular, Ameritech proposes that there be two additional phases of relief for services that have not already been removed from price cap regulation. Services should be removed from price cap regulation, without regard to the phases, at any point in time that they meet the criteria for Phase III (as discussed above).

#### (A) The Market

The area that should be considered for a particular phase of regulatory relief should be based on an area no smaller than a LATA. The criteria as described below are most easily measured on a LATA by LATA basis, and most easily administered by the Commission, the ILEC and the IXC customer. As defined, the criteria coincide with LATA boundaries and smaller areas may be difficult to manage within the price cap regulatory model and within the billing systems of the LEC and the IXC.<sup>6</sup>

#### (B) Competitive Criteria and Process

In order to get a LATA designated as being in either Phase I or II, as described below, the ILEC should file a request for relief for each LATA and service designating which phase the ILEC believes the LATA is in. If an ILEC believes that multiple LATAs meet the Phase I or II criteria, it should file its request with information for multiple LATAs, but disaggregate all information to the LATA level. Supporting documentation should be provided as described in each section on criteria. The Commission should put each request out for comment. The request should be deemed approved after 90 days unless the Commission specifically rejects it.

#### [1] Phase I - Potential Competition / Transport Services -- Competitive Criteria

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<sup>4</sup> Access Charge Reform, CC Docket No. 96-262, Notice of Proposed Rulemaking, FCC 96-488 (adopted December 23, 1996).

<sup>5</sup> *Id.* at ¶162.

<sup>6</sup> As previously discussed Ameritech is not adverse to USTA's pricing flexibility proposed definition of market area.

## Ameritech's Market Based Approach to Access Pricing

The criteria for Phase I relief for transport services is potential competition which is achieved when a competitor has demonstrated the capability of serving transport customers through the use of unbundled loops, cross connections to collocated facilities or use of its own facilities.

Phase I relief for transport services should be granted when an ILEC is providing the equivalent of 100 DS1 cross connections.

### [2] Phase I - Potential Competition / Switched Access-- Competitive Criteria

The criteria for Phase I relief for switched access is potential competition which is achieved where a market has had the barriers to market entry removed. It is no longer necessary to fully constrain the pricing of access services, since the market can support the entrance of new competitors and the ILEC will face competition for all of its services. Significant regulatory relief should be granted at this point even though price cap regulation will continue for services for which there is not yet a demonstration of substantial competition.

For switched access services, the local market will be at the potential competition phase when the ILEC has opened its network by removing the most immediate barriers to competition. Ameritech proposes that the following three criteria, when met by the ILEC, have in fact created an environment in which new entrants can effectively compete with the ILEC. All of these criteria can be met through a negotiated or state approved interconnection agreement, through a state approved tariff or through a statement of generally available terms and conditions ("SGAT").

Unbundled Network Elements (UNEs). As the Commission recognized in the NPRM, the availability of unbundled network elements priced at TELRIC will put significant pressure on access rates. To meet this trigger all that is needed is state commission approval of either a Section 251 interconnection agreement or a statement of generally available terms and conditions. Any request by the ILEC for Phase I should include documentation of such state approval.

Transport and Termination. Transport and termination charges are based on the additional costs of transporting and terminating another carrier's traffic. The trigger is met when the state commission approves either a Section 251 interconnection agreement or a statement of generally available terms and conditions. Any request by the ILEC for Phase I should include documentation of such state approval.

Wholesale Prices for Retail Services. Wholesale prices for retail services are based on reasonable avoidable costs and approved by the state commission. The state commission may show approval either through an approved Section 251 interconnection agreement or through a statement of generally available terms and conditions. Any request by the ILEC for Phase I should include documentation of such state approval.



## Ameritech's Market Based Approach to Access Pricing

### [3] The Regulatory Pricing Flexibility Under Phase I

When the predefined criteria listed above are met, the following regulatory relief should be granted for ILEC access services within the LATA.

#### (a) Reduction of the X Factor from 6.5% to 6.0%

Ameritech proposes that, after the market has been identified as being in the potential competition phase, the price cap X-factor be reduced from its current level of 6.5% to 6.0%. By opening up the market for competition, a price cap LEC should no longer be subject to the customer productivity dividend ("CPD"). At a minimum, the potential for competition ensures that customers will capture the productivity efficiencies that were otherwise provided by the CPD. In Phase I, customers will benefit from the fact that access rates will face significant downward competitive pressure, and some services will see rate reductions that are greater than those imposed by a 6.5% productivity factor. The reason for which the customer productivity dividend was initially imposed -- lack of competition -- thus will no longer apply.

#### (b) Geographic Deaveraging Under a Zone Rate Structure

After the Phase I criteria are met, the relevant ILEC services should be permitted to be offered on a three-zone geographically deaveraged basis. Currently, some transport services have zoned flexibility with regards to geographically deaveraged prices but switched services are offered only on a study-area averaged basis. For most services, ILECs incur different costs when providing services in less dense rural areas and more dense urban areas. The current pricing rules distort the market by not allowing ILECs to differentiate their prices based on geographic areas, while CLECs and CAPs do not face similar constraints.

Moreover, the three geographic zone areas for switched access services should be allowed to be different from the three geographic zones for transport services since the competitive landscape and cost structures for switched services could differ from those for transport services.

#### (c) Contract, RFP (Request For Proposal), Volume and Term Pricing

Competitive access providers are successful in the market place because they can offer products and services at prices that meet customer needs and cost characteristics. Today, ILECs are constrained by average tariff pricing requirements. Even with geographic deaveraging, a given customer may be more likely to be "won" by the competitive provider at a non-competitive price because the ILEC is constrained by averaged tariff prices. The ILEC cannot respond based on the customer's specific cost characteristics.

When the Phase I criteria are met, customers would benefit if the ILEC has the same tools to respond to competition as its competitors. When a customer seeks bids for service, the ILEC should be able to respond with a customer-specific quote, just like the competitive provider.

## Ameritech's Market Based Approach to Access Pricing

When Phase I criteria is met, constraints on volume and term pricing plans should be removed. These pricing options are just tools used in non-regulated markets to structure pricing options to meet customers needs. The Commission has recognized the need for these types of plans in granting term discounts for transport services. However, in the potential competition phase there is no longer a need to limit the use of these plans to particular services at particular times. Instead, the ILEC should be able to use these pricing tools as it sees the need, and have the ability to file and get tariffs approved on a streamlined basis.

### (d) New Services

At a minimum, new services should not be subject to Part 69 public interest and cost support requirements. When the Phase I criteria are met, all technically new access services introduced by an ILEC should not be placed under price cap regulation. The new services definition used for price cap purposes should not be used for defining new services that should not be regulated. New services, for Phase I relief, are those services that have new technical interface specifications different from existing access services or which offer new features and/or functions for existing services. There is no reason that new services, which are clearly discretionary, since the ILEC is not currently offering the service, should be placed under the burden of existing regulations. In a competitive market, there will be little incentive to innovate if all new services are placed under restrictive regulations. The introduction of new services, is one way competitors respond in a competitive marketplace.

In Phase I, new services relief would not be granted for pricing plans which currently are considered new services for price cap purposes.

### [4] Phase II - Actual Competition -- Competitive Criteria

When an area (e.g. LATA) has moved beyond the potential competition phase and is facing actual competition, the ILEC should be granted even greater regulatory freedom for relevant access services. This phase would occur just short of substantial competition and would still keep the regulatory constraints of price caps and tariffs in place until the market is fully competitive (all services removed from price caps requirements).

To obtain Phase II pricing flexibility, an ILEC must demonstrate that within the geographic area for which a request for relief is requested 25% of the ILEC's demand for those services can be served through existing operational collocation arrangements.

Ameritech proposes that even though they do not take into account "complete by pass arrangements" operational collocation arrangements are the single most important factor in determining whether a market is experiencing actual competition. When a competitor establishes and has an operational collocation arrangement in an office, it immediately has access to all customers served out of the office. The number of customers served by the competitor is a direct result of the competitor's own marketing efforts, not a result of any remaining barrier. Therefore, as the number of operational collocation arrangements within a market area increases, the amount of actual competition increases.

## Ameritech's Market Based Approach to Access Pricing

### [5] The Regulatory Pricing Flexibility Under Phase II

#### (a) Geographic Deaveraging Without a Zone Rate Structure

After the Phase II criteria are met, all ILEC services should be permitted to be offered on a geographically deaveraged basis without regard to a zone structure. The current pricing rules penalize ILECs by not allowing them to differentiate their prices based on geographic areas, while CLECs and CAPs do not face similar constraints.

#### (b) Growth Pricing

When Phase II criteria is met, constraints on growth pricing plans should be removed. These pricing options are just tools used in other markets to structure pricing options to meet customers needs. However, in the actual competition phase there is no longer a need to limit the use of these plans to particular services at particular times. Instead, the ILEC should be able to use these pricing tools as it sees the need and have the ability to file and get tariffs approved on a streamlined basis.

The Commission has expressed concerns that these tools will be used to advantage the ILEC's long distance affiliate in the long distance market. However, volume, growth and term plans can be developed that do not advantage the ILEC's affiliate. The Commission should not deny the ILEC the ability to even consider offering these types of pricing plans, but instead require that the ILEC show in its tariff support material how the plan does not unreasonably advantage the ILEC's affiliate.

#### (c) End of Mandatory Part 69 Rate Structure; the Ability to Package Access Services

Before a service is removed from price regulation, the competitive forces of the market will still require competitors to creatively offer service packages. When Phase II criteria are met, the ILEC should be able to offer pricing packages that are market-driven and not be restricted by the current Part 69 mandated rate structures. Instead, the ILEC ought to be able to offer packages of combined services at one rate.

#### (d) Streamlining the Price Cap Model

The current price cap model is structured with baskets, bands and sub-bands each of which acts to constrain pricing. As the market faces actual competition, the bands and sub-bands should be eliminated and all services should be placed in to one single basket. Having one basket would constrain overall access rate levels but would give the ILEC the ability to raise prices for some services to offset reductions in other services -- as the market dictates. This is how real market-based pricing works and should be encouraged for access services. But recognizing that competition is nascent at this phase, overall pricing would remain under a price cap.

## Ameritech's Market Based Approach to Access Pricing

When an area is approved to be Phase II, the PICC and EUCL will still be constrained by their designated capped rate levels.

### (e) Elimination of the X-factor

When a market is facing actual competition, the natural competitive pressures on prices will constrain the ILEC's ability to earn excessive profits. There no longer is a need to artificially reduce prices through the X-factor in the current price cap formulas. Even with the X-factor eliminated<sup>7</sup>, there will still remain a ceiling on prices determined more appropriately by inflation; the ILEC will not be able to indiscriminately raise prices.

Additionally, it must be remembered that the services that remain within price caps when Phase II is attained may not have met the substantial competition test because the prices may already be set at or just slightly above costs. There may be no room at current price levels for new entrants to make profits and thus competition may not be developing. But as soon as these prices were raised, significant competition may develop. If this is the case, continuing to drive rates down through the artificial X-factor may take rates below their cost levels and thus competition for these services would never develop. The current price cap methodology has no regulatory back stop to keep individual service prices from falling below cost.

### Conclusion

In its Access Reform Order, the Commission adopted a market-based approach to access pricing and took significant steps to reduce the inefficiencies in the access rate structure. Now, as the Commission promised, the second step must be adopted -- the framework for permitted ILEC response to competition. Without that framework, the access market will develop based on distortions in pricing created by excessive regulation. The Commission must adopt a market-based approach to ensure a robust marketplace.

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<sup>7</sup> Ameritech's April 7, 1998, ex parte proposed a method of adjusting the productivity factor as services are placed in Phase I, Phase II and Phase III.

# Attachment O

## **Mechanisms to Declare Services Competitive In Ameritech's States**

### **Illinois**

A service can be declared competitive only if a competitive alternative exists for the same service, or its functional equivalent. A reclassification filing to "competitive" becomes effective upon one day notice to the ICC. Although a competitive service has unlimited pricing flexibility and is removed from price caps, the ICC can investigate and has 180 days to issue a final order.

### **Indiana**

The IURC can determine, after notice and hearing, that the public interest will be served by declining to exercise its jurisdiction over telephone companies or certain services. In reaching a decision, the IURC considers:

1. Whether technological change, competitive forces, or regulation by other state or federal regulatory bodies render the exercise of jurisdiction by the IURC unnecessary or wasteful;
2. Whether the exercise of IURC jurisdiction produces tangible benefits to telephone company customers; and
3. Whether the exercise of IURC jurisdiction inhibits a regulated entity from competing with unregulated providers of functionally similar services or equipment.

### **Michigan**

If a regulated service meets the criteria established by the Michigan Telecommunications Act-2 (MTA2, December, 1995), it will be classified as competitive and the rate for the service will be deregulated and not subject to review. A service is competitive if the service is available from more than one alternative provider and three or more of the following apply:

1. Actual competition, including facilities-based competition, exists in the relevant geographic area.
2. Both residential and business customers have service alternatives available from more than one alternative provider.
3. Competition and end-user usage has been demonstrated and measured by independent and reliable methods.
4. Rates and charges for the service have changed within the last 12 months.
5. Is a functionally equivalent service reasonably available to end users from an alternative provider.

Reclassification will take effect 30 days after customer notification.

### **Ohio**

To reclassify a service from one cell (service and rate classification categories) to another as part of Ameritech Ohio's alternative regulation plan, an application must be filed with the Commission 30 days prior to the effective date of the change. The application must include documentation that demonstrates such a reclassification is justified (e.g. market share data, historic sales information). The Commission can take up to 180 days to investigate.

### **Wisconsin**

Petition for competitive declaration can be filed, or on its own motion, the Commission may hold a hearing to determine whether effective competition exists in a market that justifies lessened regulation. No set time frame exists for the Commission to rule on a petition for such a declaration. The Commission will consider the following factors in determining whether the petition is in the public interest:

1. Number and size of providers offering the same, equivalent service in the relevant market.
2. Extent to which the same, equivalent service is available in the relevant market.
3. Ability of customers to obtain the same service at comparable rates, terms, and conditions
4. Ability of alternative providers to make the same service available at comparable rates, terms, and conditions.
5. Relevant market power of each provider of the service and any market trends that may change in the future.
6. Any affiliation of any alternative provider that may affect competition.
7. Existence of any barriers to entry or exit

**REGULATORY RULES REGARDING  
COMPETITIVE PRICING/ICB CAPABILITY  
FOR SELECT SERVICES\*  
as of 5/26/98**

**Exchange-Based Services**

	ILLINOIS	INDIANA	MICHIGAN	OHIO	WISCONSIN
<b>Analog Private Line (exchange tariff/catalog)</b>	CPF/ICB	CPF/ICB	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB - (business customers with 4 or more lines)
<b>DDS/Base Rate</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB
<b>DS1 (exchange tariff/catalog)</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB
<b>DS3 and SONET (exchange tariff/catalog)</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB
<b>ALIS and FDDI (exchange tariff/catalog)</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB
<b>ISDN Direct</b>	Access Area A - CPF/ICB Access Areas B and C - CPF/ICB, with proof of competitive alternatives	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB
<b>ISDN Prime</b>	CPF/ICB	CPF/ICB	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB - (business customers with 4 or more lines)

CPF/ICB denotes services that have competitive pricing flexibilities and ICB capability.

\* Rates must cover and pass appropriate costs and imputation tests.



REGULATORY RULES REGARDING  
COMPETITIVE PRICING/ICB CAPABILITY  
FOR SELECT SERVICES\*  
as of 5/26/98

Exchange-Based Services

	ILLINOIS	INDIANA	MICHIGAN	OHIO	WISCONSIN
<b>Residential Access Lines</b>	No CPF/ICB	No CPF/ICB	Must price above cost by 1/1/00. May increase rate CPI minus 1%	No CPF/ICB	No CPF/ICB
<b>Business Access Lines</b>	CPF/ICB	No CPF/ICB	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB - (business customers with 4 or more lines)
<b>Service Transport Facilities (STF)</b>	CPF/ICB				
<b>P.B.X. Trunks</b>	CPF/ICB	No CPF/ICB	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB - (business customers with 4 or more lines)
<b>Business Local Usage</b>	CPF/ICB	See Business Access Lines	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB - (business customers with 4 or more lines)
<b>Toll</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB
<b>800/WATS</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB	CPF/ICB
<b>Area Wide Networking</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB	CPF/ICB

CPF/ICB denotes services that have competitive pricing flexibilities and ICB capability.

\* Rates must cover and pass appropriate costs and Imputation tests.

REGULATORY RULES REGARDING  
COMPETITIVE PRICING/ICB CAPABILITY  
FOR SELECT SERVICES\*  
as of 5/26/98

Exchange-Based Services

	ILLINOIS	INDIANA	MICHIGAN	OHIO	WISCONSIN
<b>Centrex</b>	CPF/ICB	CPF/ICB, can only ICB features and intercom, with proof of competitive alternatives	CPF/ICB - intercom and features CPF/ICB - loop & usage in Access Areas A and B No CPF/ICB - loop & usage in Access Area C	CPF/ICB, except loop	CPF/ICB
<b>Ameritech Digital Trunking Service</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB - (business customers with 4 or more lines)
<b>Ameritech Customer Location Alternate Routing</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	No CPF/ICB
<b>Ameritech Network Switch Alternate Routing</b>	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB	CPF/ICB, with proof of competitive alternatives	No CPF/ICB
<b>Central Office Services Basic</b>	CPF/ICB	No CPF/ICB	CPF/ICB	CPF/ICB, with proof of competitive alternatives	CPF/ICB
<b>Advanced Custom Calling Features</b>	CPF/ICB	CPF/ICB	CPF/ICB	CPF/ICB	CPF/ICB

CPF/ICB denotes services that have competitive pricing flexibilities and ICB capability.  
\* Rates must cover and pass appropriate costs and imputation tests.

# **Attachment P**

1401 H Street, N.W.  
Suite 1020  
Washington, D.C. 20005  
Office 202/326-3822



**Anthony M. Alessi**  
Director  
Federal Relations

September 14, 1998

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, NW  
Room 222  
Washington, DC 20554

Re: Ex-parte Filing  
CC Docket 96-262

Dear Ms. Salas:

On Friday, September 11, 1998, Mr. Karl Wardin, Ms. Judith Moen, and I met with Ms. Jane Jackson, Chief, Competitive Pricing Division, Ms. Tamara Preiss, Mr. Aaron Goldschmidt, Mr. Jay Atkinson and Mr. Chris Barnekov of the FCC to discuss access reform and pricing flexibility in the above referenced docket. The attached material was used as part of our discussion.

Sincerely,

A handwritten signature in dark ink, appearing to read "Anthony M. Alessi".

Attachment

cc: J. Jackson  
T. Preiss  
A. Goldschmidt  
J. Atkinson  
C. Barnekov

**TREATMENT  
OF COMPETITIVE SERVICES  
IN ILLINOIS**

**AMERITECH  
EX PARTE PRESENTATION  
SEPTEMBER 11, 1998**

## TREATMENT OF COMPETITIVE SERVICES IN ILLINOIS

### BASIS FOR COMPETITIVE DECLARATION

#### ILLINOIS PUBLIC UTILITIES ACT, SECTION 13-502 (b)

A service shall be classified as competitive only if, and only to the extent that, for some identifiable class or group of customers in an exchange, group of exchanges, or some other clearly defined geographical area, such service, or its functional equivalent, or a substitute service is reasonably available from more than one provider, whether or not any such provider is a telecommunications carrier subject to regulation under this Act.

... The Commission shall have the power to investigate the propriety of any classification of a telecommunications service on its own motion and shall investigate upon complaint....

After notice and hearing, the Commission shall order the proper classification of any service in whole or in part. The Commission shall make its determination and issue its final order no later than 180 days from the date such hearing or investigation is initiated.

[emphasis added]

Effective January 1, 1986

## TREATMENT OF COMPETITIVE SERVICES IN ILLINOIS

### PROCESS TO DECLARE A SERVICE COMPETITIVE

- Company self-declares service competitive, effective on 1 day's notice
- Commission has power to investigate the declaration on its own motion at any time after it is made (but may decide affirmatively not to investigate), and shall investigate upon formal complaint
- Investigation consists of formal docket, with hearings and written testimony, discovery and cross-examination of witnesses
- Investigation, once started, must be completed in 180 days

### PRICING FLEXIBILITY ALLOWED

- Flexibility is available immediately at competitive declaration
- Once service is competitive, ICBs are allowed; contracts are reviewed by Commission
- Price decreases/increases or rate restructures are effective on 1 day's notice; customer notice is required prior to any increase
- Service is removed from price caps at next annual price cap filing

### COST SHOWINGS REQUIRED

- Rates must cover Long Run Service Incremental Cost (LRSIC)
- Joint costs are allocated to individual competitive and non-competitive services based on LRSIC
- Residual costs are allocated to competitive and non-competitive service categories in aggregate based on total assigned cost (see above)
- Revenues from competitive services in the aggregate must cover costs of competitive services in the aggregate (Aggregate Revenue Test)
- Imputation is required in Aggregate Revenue Test (see above) for noncompetitive services or service elements provided to other carriers for provision of competitive services; imputation is also required for switched interexchange services or interexchange private line services

## TREATMENT OF COMPETITIVE SERVICES IN ILLINOIS

### COMPETITIVE TARIFF FILING PACKAGE CONSISTS OF:

- Cover letter identifying:
  - service(s) declared competitive
  - geographical area or customer group to which it applies
  - effective date of tariff
- Proprietary summary explanation of details of the filing, including cost and demand information
- Affidavit signed by Company official identifying competitive alternative(s) or competitive provider(s)
- Proprietary detailed cost support information, including demonstrating that revenues cover LRSIC and Aggregate Revenue Test, including imputation, is met. This information may be provided by reference to past cost support on file with Commission.
- Tariff pages for competitive service(s) [placed in a separately identified competitive section of the tariff]



## TREATMENT OF COMPETITIVE SERVICES IN ILLINOIS

Approximately 56% of all regulated revenues in Illinois have been declared competitive

### Competitive in total

The following services are classified competitive in total, for all of Ameritech Illinois service territory:

Base rate, DS-1 ... OC-12	Directory Assistance
Analog private line	Centrex
800 service	Service Transport Facilities
WATS	IntraMSA Toll
Billing and collection	ISDN Prime

### Competitive in part

The following groups of services are classified as competitive in part, based on the customer class, geographical area or specific service:

Network access lines *	ISDN Direct **
IntraMSA calling *	Directory listing services #
Central Office features *	Operator services##

#### Notes:

- \* competitive for all business, and some residence by geographical area or by service (e.g., speed calling)
- \*\* competitive for some business, based on geographical area; non-competitive for residence
- # competitive for business; non-competitive for residence
- ## competitive based on type of operator service provided

### Non-competitive

The following services presently are classified as non-competitive in Ameritech Illinois service territory:

UNEs	Intrastate switched access
Resale services	Intrastate special access
Customer Name and Address service	

## TREATMENT OF COMPETITIVE SERVICES IN ILLINOIS

### RELATIONSHIP TO ALTERNATIVE REGULATION [PRICE CAPS]

- Competitive declaration process in place almost 9 years before price cap plan was put in place (1986 vs. 1994)
- Price cap plan applies only to non-competitive services
- Revenues for competitive services removed from price cap basket at time of annual price cap filing
- Price cap formula and resultant revenue reductions (if required) calculated each year based on revenues for non-competitive services remaining under price caps as of price cap filing date

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

SAMPLE COMMISSION  
ACTION ON COMPETITIVE  
FILING

March 17, 1995

David H. Gebhardt  
Vice President Regulatory  
Affairs  
Illinois Bell Telephone Company  
555 East Cook Street, Floor 1E  
Springfield, IL 62721

NOTICE OF COMMISSION ACTION

Dear Sir/Madam:

Notice is hereby given that the Commission, in conference on March 15, 1995 determined that the following item(s) be NOT INVESTIGATED:

ILLINOIS BELL TELEPHONE COMPANY

Ill. C. C. No. 5, Part 15, Section 7  
6th Revised Page 1

Part 15, Section 24  
Original Pages 1 - 19

Filed: January 23, 1995  
Effective: January 24, 1995

Sincerely,

A handwritten signature in cursive script that reads "Donna M. Caton".

Donna M. Caton  
Chief Clerk

clh

*SAMPLE COMPETITIVE  
TARIFF FILING*

March 20, 1998

Advice No. 5817

To: Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, Illinois 62794-9280

The accompanying tariff pages, listed on the attachment, issued by Ameritech Illinois, are transmitted to you for filing.

This filing proposes to expand the competitive classification of Telecommunications Channel Service and Foreign District Service from customer/site specific to include all customers in all access areas; expand the competitive classification Ameritech Base Rate, DS1, DS3, OC-n, and ISDN PRI services to all customers in all Access Areas from being competitive in Access Area A only. It also proposes to classify BTAS, DDS, and Ameritech 128, 256, and 384 Services as competitive for all customers in all access areas.

This service is classified as a competitive telecommunications service pursuant to Section 13-502(b) of the Public Utilities Act. The verified statement referred to by Section 745.200 of 83 Illinois Administrative Code 745, is attached hereto. Cost studies are not included as existing rates are being used; however, the Aggregate Revenue Test (existing rate elements) is included.

We respectfully request your Commission to accept these pages to become effective March 21, 1998.

Any questions and correspondence regarding this filing should be directed to Jaime Villaseñor, Director, Regulatory Affairs, who may be reached at:

Ameritech Illinois  
225 West Randolph Street, 29C  
Chicago, Illinois 60606  
Tel. No.: 312-551-9159  
FAX No.: 312-727-4771

Please acknowledge receipt by returning the extra copy of this letter.

Sincerely,

Terry R. Henkel  
Director, Regulatory Affairs

Attachments

**SUBJECT:** Competitive Classification of Ameritech Analog and Digital Services,  
Foreign District, and ISDN PRI Service In All Access Areas

**ISSUED:** March 20, 1998

**EFFECTIVE:** March 21, 1998

### **BACKGROUND**

The services being proposed as competitive are considered Private Line (PL) Services used primarily by business customers. PL services are dedicated channels between customer locations for voice and data transmission. PL services are unmeasured, untimed, and available 24 hours a day, making them an economic alternative to using the public switched network (PSN). PL services provide a private, secure, high quality, readily available means of communications while avoiding perceived drawbacks inherent in the PSN, such as call blocking and busy signals.

Ameritech Base Rate, DS1, DS3, OC-n Services, and ISDN PRI are presently offered in both the noncompetitive and competitive tariffs. These services are classified as competitive for all customers within Access Area A. In Access Areas B and C, these services are classified as competitive on a customer/site specific basis.

Ameritech 128, 256, and 384 Service is presently offered only in the noncompetitive tariff.

Telecommunications Channel Services (Series 1000, 2000, 3000, 6000) are offered in both the noncompetitive and competitive tariffs. These channels are offered as competitive on a customer/site specific basis in all Access Areas.

Foreign District Service is offered in both the noncompetitive and competitive tariffs. It is classified as competitive in all Access Areas on a customer/site specific basis.

Direct Digital Service (DDS) and Bridged Telemetry and Alarm Service (BTAS) are presently offered only in the noncompetitive tariff.

### **DETAILS OF THIS FILING**

This filing proposes to expand the competitive classification of Telecommunications Channel Service and Foreign District Service from customer/site specific to include all customers in all access areas; expand the competitive classification Ameritech Base Rate, DS1, DS3, OC-n, and ISDN PRI services to all customers in all Access Areas from being competitive in Access Area A only. It also proposes to classify BTAS, DDS, and Ameritech 128, 256, and 384 Services as competitive for all customers in all access areas.

- Telecommunications Channel Services (1001A, 1006, 2001, 2001A-E, 2002, 2301, 3002, 3010, and 6000). Channel Services consist of analog voice and voice-grade data services. The various channel types can be used as PBX to PBX tie lines, CTX to CTX tie lines, PL Ringdown circuits, off-premises PBX or CTX stations, and voice-grade data applications such as the Lottery network.
- BTAS (type 2335 and 2336 channels). This service, also a Channel Service, provides multipoint, voice grade, tone type data transmission channels, typically used by alarm companies.

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Not to be disclosed to or used by any other person without prior authorization

*PROPRIETARY INFORMATION HAS BEEN DELETED*

## BACKGROUND

Page 2 of 4

### DETAILS OF THIS FILING (cont'd)

- DDS (speeds at 2.4 through 56 Kbps). DDS consists of hubbed digital data channels.
- Foreign District Service (FD). FD is telephone exchange service furnished from a district other than the one in which the customer is located. FD may be transported individually, one channel at a time, or as a channel transported via Ameritech DS1 or higher speed service. FD is generally chosen as an economic alternative to avoid distance-sensitive usage on the PSN.
- Ameritech Base Rate Service (speeds at 2.4 through 54 Kbps). Base Rate consists of digital data channels, configured as point-to-point or multipoint channels.
- Ameritech 128, 256, and 384 Service, aka Fractional T1, (at speeds of 128, 256, and 384 Kbps). FT1 consists of high speed, point-to-point digital data channels
- Ameritech DS1 Service (1.544 Mbps). DS1 provides higher speed, point-to-point transport over one channel operating at 1.544 Mbps or multiple voice grade and/or digital channels (up to 24 channels per DS1).
- Ameritech DS3 Service (44.736 Mbps). DS3 service provides still higher speed, fiber-based transport at 45 Mbps or multiple DS1 channels (up to 28 DS1 channels or 672 voice grade and/or digital data channel equivalents).
- Ameritech OC-3, OC-12, and OC-48 Services (155.52, 622.08, and 2488.32 Mbps).
- OC-n services, aka SONET, provide even higher speed, fiber-based transport, in point-to-point and dedicated ring configurations. OC-n provides between 3 and 48 DS3s.
- Ameritech Integrated Services Digital Network Prime (ISDN PRI). ISDN PRI provides 23B channels plus 1D channel transported via an Ameritech DS1 or higher speed transport service.

The tariff pages which contain the rates and regulations applicable to Telecommunications Channel Services, Ameritech Base Rate, DS1, DS3, and OC-n Services are also being reformatted as part of this filing in order to comply with the Ameritech standard tariff template.

Telecommunications Channel Services for Access Areas A, B, and C, presently in tariff III, C.C. No. 20, Part 15, Section 2, will be moved to tariff III, C.C. No. 19, Part 15, Section 2.

DDS and BTAS, presently in tariff III, C.C. No. 20, Part 15, Section 5, will be moved to tariff III, C.C. No. 19, Part 15, Section 5.

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## BACKGROUND

Page 3 of 4

### DETAILS OF THIS FILING (cont'd)

Ameritech Base Rate, DS1, DS3, and OC-n Services for Access Areas B and C, presently in tariff III, C.C. No. 20, Part 15, Section 3, will be added to tariff III, C.C. No. 19, Part 15, Section 3.

Ameritech 128, 256, and 384 Service, presently in tariff III, C.C. No. 20, Part 15, Section 3, will be moved to tariff III, C.C. No. 19, Part 25, Section 3.

Ameritech ISDN PRI for Access Areas B and C, presently in tariff III C.C. No. 20, Part 17, Section 2, will be added to tariff III, C.C. No., 19, Part 17, Section 2.

Foreign District Service for Access Areas B and C, presently in tariff III, C.C. No. 20, Part 4, Section 3, will be added to tariff III, C.C. No. 19, Part 4, Section 3.

Those tariff pages presently in tariff III, C.C. No. 19, Part 15, Section 5, which offer services competitively, listing customer/site specific competitive situations, will be deleted, becoming historical pages.

Where identical rate elements appear in both the No. 19 and No. 20 tariffs, but at different rates, the lower of the rates will be applied, i.e., FD, Base Rate Bridging and DS1 CMT and CM rates currently in effect in the No. 19 are higher than those currently in the No. 20 tariff - the lower No. 20 rates will prevail.

With the above exception, this filing does not change any rates. Nor have any changes been made that adversely affect customers.

The Optimization Plan (TOP) currently in the No. 20 tariff expired in 1994. TOP will not be moved to tariff III, C.C. No. 19.

The Discount Commitment Plan (DCP), which appears in tariff III, C.C. No. 20 only, will not be moved to tariff III, C.C. No. 19.

Prepayment of Monthly Charges, aka Single Payment Option, currently in effect in tariff III, C.C. No. 20 allows for a refund in the event a customer discontinues an OPP prior to its expiration. Tariff III, C.C. No. 19 does not. The language contained in tariff III, C.C. No. 20 will be moved to tariff III, C.C. No. 19.

The Optional Payment Plan (OPP) Renewal Program, currently available only in tariff III, C.C. No. 20, will be moved to tariff III, C.C. No. 19.

Moves, under tariff III, C.C. No. 20 OPP regulations, allows a customer to move one LDC of a circuit to another location within the same MSA and keep the OPP in force. Moves will be moved to tariff III, C.C. No. 19.

Some tariff terms are being changed to comply with the Ameritech standard tariff template: Optional Payment Plan (OPP) is being replaced with Term Payment Plan (TPP); OPP Monthly Contract Charge is replaced with Monthly Payment; Ameritech Reconfiguration Service (ARS) is being replaced with Ameritech Network Reconfiguration Service (ANRS); Company office is replaced with wire center.

Numerous definitions have also been added to better explain terms used in the new standard tariff template.

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## **BACKGROUND**

Page 4 of 4

### **DETAILS OF THIS FILING** (cont'd)

Services functionally equivalent to Telecommunications Channel Services, DDS, BTAS, Ameritech Base Rate through OC-n Services, and ISDN PRI are reasonably available and are being marketed to customers by a number of competitive alternative providers throughout the state. Specific competitive alternative providers include, but are not limited to, MFS, MCI WorldCom, Teleport Communications Group, AT&T, ADEMCO, Advanced Radio Technologies, Winstar Communications, and Consolidated Communications Telecom Services.

### **DEMAND EFFECTS**

### **REVENUE EFFECTS**

### **COST SUPPORT**

### **IMPUTATION**

### **POLICY IMPLICATIONS**

This filing is consistent with current Commission policies.

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VERIFIED STATEMENT

Terry R. Henkel, being duly sworn, states as follows:

1. That he is Director of Regulatory Affairs of Ameritech Illinois;
2. That the proposed tariffs expand the competitive classification of Telecommunications Channel Service, Ameritech Base Rate, DS1, DS3, OC-n, and Ameritech ISDN PRI to all customers in Access Areas A, B, and C (tariff III, C.C. No. 19, Part 15, Section 2, and Section 3, Part 4, Section 3, and Part 17, Section 2). The proposed tariffs also propose to classify as competitive Bridged Telemetry and Alarm Service (BTAS), Direct Digital Service (DDS), and Ameritech 128, 256, and 384 Service for all customers in all access areas (tariff III, C.C. No. 19, Part 15, Section 5 and Section 3). The above tariff pages are being filed pursuant to Section 13-502(b) of the Illinois Public Utilities Act;
3. That Telecommunications Channel Service, Ameritech Base Rate, 128, 256, 384, DS1, DS3, OC-n, BTAS, DDS, Foreign District, and ISDN PRI Services are competitive telecommunications services within the meaning of Section 13-502 of the Illinois Public Utilities Act;
4. That these services consist of voice grade and voice grade data channels, digital data channels at transmission speeds of 2.4, 4.8, 9.6, 19.2, 56, 64, 128, 256, and 384 Kbps, 1.544, 44,736, 155.52, 622.08, and 2488.32 Mbps, access to a variety of switched services (ISDN PRI), and telephone exchange service transported via DS1 or a single voice grade channel from a foreign district;
5. That MFS, MCI, Teleport Communications Group, AT&T, Winstar Communications, and Consolidated Communications Telecom Services offer to provide services similar to Telecommunications Channel Service, Ameritech Base Rate, 128, 256, 384, DS1, DS3, OC-n, BTAS, DDS, Foreign District, and ISDN PRI Services to customers in Access Areas A, B, and C;
6. That Ameritech Illinois has proposed to satisfy the telecommunications requirements of all customers in Access Areas A, B, and C through the services described in 3 above;
7. That the services Ameritech Illinois proposes to provide all customers in Access Areas A, B, and C (Telecommunications Channel Service, Ameritech Base Rate, 128, 256, 384, DS1, DS3, OC-n, BTAS, DDS, Foreign District, and ISDN PRI Services) would be functionally equivalent to services provided by MFS, MCI, Teleport Communications Group, AT&T, ADEMCO, Advanced Radio Technologies, Winstar Communications, and Consolidated Communications.

This concludes my verified statement.

\_\_\_\_\_  
Terry R. Henkel

Subscribed and Sworn to  
before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1997

\_\_\_\_\_  
NOTARY PUBLIC

Attachments

Private Line Competitive Filing

Cost Support \*

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Not to be disclosed to or used by any other person without prior authorization.

*PROPRIETARY INFORMATION HAS BEEN DELETED*

*SAMPLE PAGES ATTACHED.*

*\* NOT ALL PAGES HAVE BEEN INCLUDED.*

ATTACHMENT TO ADVICE NO. 5817 (cont'd)

Ameritech Tariff, III. C.C. No. 20 (cont'd)

Part 17 - Section 2

2nd Revised	Sheet No. 1
2nd Revised	Sheet No. 2
2nd Revised	Sheet No. 3
2nd Revised	Sheet No. 4
3rd Revised	Sheet No. 5
3rd Revised	Sheet No. 6
2nd Revised	Sheet No. 7
1st Revised	Sheet No. 8
1st Revised	Sheet No. 9
1st Revised	Sheet No. 10
2nd Revised	Sheet No. 11
1st Revised	Sheet No. 12
1st Revised	Sheet No. 13
2nd Revised	Sheet No. 14
1st Revised	Sheet No. 14.1
2nd Revised	Sheet No. 15

NOT INCLUDED IN HANDOUT



ILLINOIS BELL  
TELEPHONE COMPANY

# Ameritech

Tariff

ILL. C.C. NO. 19

PART 15

SECTION 1

PART 15 - Dedicated Communications Services  
SECTION 1 - General

1st Revised Sheet No. 1  
Cancels  
Original Sheet No. 1

## A. APPLICATION OF TARIFF

This section contains general regulations applicable to Dedicated Communications Service Private Line Service furnished by the Company (herein after referred to as "the Company") for intraMSA communications between specified customer (the word "customer" as used in this tariff refers to the customer or authorized user of the service) locations and are in addition to other regulations, Nonrecurring Charges and Prices specified elsewhere in this tariff and tariff Ill. C.C. No. 20, Part 2, Section 2. When reference is made in this tariff to regulations, prices specified in other tariffs of the Company, such tariffs as they now exist, or as they may be revised, added to or supplemented, are hereby adopted and made a part of this tariff.

1. Private line services are provided between specified customer locations twenty-four hours daily, seven days per week, with a minimum service period of one month (from date of installation) except as otherwise specifically stated. For tariff purposes, every month is considered to have thirty days.
2. Wherever facilities are provided jointly by the Company and one or more other telephone companies, the regulations, prices of such other telephone companies apply for the equipment and facilities furnished by them for use in connection with the interexchange service provided by the Company.
3. Connections involving private line service may not be made except as authorized in the Connections Section of this tariff and as described in Part 68 of the Federal Communications Commission's Rules and Regulations.

/1/ Material formerly appeared in Ill. C.C. No. 19, Part 15, Section 3, and Ill. C.C. No. 20, Part 15.

Issued: March 20, 1998

Effective: March 21, 1998

By D. H. Gebhardt, Vice President - Regulatory Affairs  
115 West Randolph Street  
Chicago, Illinois 60606